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SHIFTS IN FINANCIAL PORTFOLIOS OF AMERICAN HOUSEHOLDS

by Richard T. Curtin

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SHIFTS IN FINANCIAL PORTFOLIOS OF AMERICAN HOUSEHOLDS

Representative sample surveys of American households conducted during 1978 provide further evidence of a sustained downward trend in consumer sentiment. Heightened concern over inflation, together with declining confidence in government economic policy, has led consumers both to hold more pessimistic views of business prospects and, because of buy-in-advance price motivations, to view current buying conditions more favorably.

Since the current overall state of consumer sentiment continues to point toward declining consumer sales, and is now accompanied by more restrictive monetary policy, an understanding of consumer attitudes and expectations as well as the financial ability of households to withstand economic reversals become important topics. The level of savings and reserve funds or indebtedness reflects the ability of households to withstand temporary economic reversals.

Significant shifts in the composition of financial assets and liabilities in consumer portfolios have occurred since the early 1950s. During the past decade, slower real growth, higher rates of inflation, and depressed stock prices have prompted change in the composition of financial assets, while recent demand for housing and durables have led to record increases in mortgage debt and consumer credit. Aggregate financial data as well as household survey data on trends in financial assets and liabilities document a sharp slowdown in the rate of growth in household's financial net worth, an aggregate shift toward more liquid assets, especially in the form of time and savings accounts, and more rapid increases in liquid assets than in mortgage or consumer debt. Throughout the past two decades, time and saving account holdings have increased by more than liabilities, yielding greater liquid assets coverage of household debts. This favorable trend has continued up through mid-1978, indicating that consumers have cautiously expanded debt relative to liquid assets. Excessive household indebtedness will thus not be a cause for prolongation of any potential recession, rather consumers financial position now provides greater flexibility to meet short term contingencies.

Growth Trends in Financial Assets and Liabilities

As of year-end 1977, the household sector had outstanding financial assets totaling a little over three trillion dollars, and outstanding liabilities of just over one trillion (Table 1). Since 1947, consumer financial assets have grown at a compound annual rate of 7.2 percent, while liabilities posted a significantly higher growth rate of 10.9 percent (Table 2). The resulting growth from 1947 through 1977 in financial assets net of liabilities was 6.2 percent per year on average.

The year-to-year change in net financial assets, as shown in Chart 1, is dominated by concurrent changes in assets rather than liabilities. In turn, the year-to-year variation in financial assets is dominated by changing values of corporate equities in household portfolios (Chart 2). Interestingly, the variation in the value of corporate equities held by households is consistently much larger than yearly variation in time and savings accounts or bond holdings. Year-to-year variations in household liabilities, in contrast, are dominated by changes in installment credit during the early part of the period, but since the early 1970's variations in home mortgages as well as all consumer credit exhibited similar time trends (Chart 3).

The 1947-1977 period can be subdivided into subperiods which differ significantly in the rate of improvement in net worth. From 1947 to 1967, growth rates in assets improved from 6.2 percent in the 1947-52 period to 9.0 percent in 1962-67, while growth rates in liabilities declined from 16.1 in 1947-52 to 8.8 percent in 1962-67. As a consequence, financial assets net of liabilities posted an increasing growth rate, going from 4.5 percent in 1947-52 to 9.2 percent in 1962-67 (see Table 2).

Since 1967 the pattern has reversed, with the growth rate in assets declining to just 5.3 percent in 1972-77, down from 9.0 percent in 1962-67, while the growth rate in liabilities climbed to 10.9 percent in 1972-77 from 8.8 percent in 1962-67. Consequently, the net financial position of consumers grew on average just 3.1 percent in 1972-77, just half the average rate of growth recorded during the entire 30 year period.

These shifts have significantly reduced the ratio of total financial assets to liabilities during the past quarter century (Chart 4). In 1977, the ratio of financial assets to liabilities was 3.0, representing a sharp and significant decline from the 8.4 posted in 1947. Although the decline in asset coverage of liabilities indicates a seriously deteriorating financial situation, this conclusion may be unwarranted because of other significant changes. Since the asset value of owner-occupied houses are not included, a more accurate comparison would exclude home mortgages from liabilities. Removing home mortgages from total liabilities does not improve the aggregate ratio of financial assets to liabilities less mortgages -- it also declined sharply from 19.7 in May 1947 to 7.7 in 1977. This results primarily from installment debt having risen somewhat faster than mortgage debt. From 1947 to 1977, mortgage and installment debt rose at an annual rate of 11 and 12 percent respectively. Importantly, the rate of increases in both mortgage and installment debt remained high throughout the 1947-1977 period.

Composition of Household Portfolios

The composition of total liabilities has changed little over the past quarter century. In 1977, 61 percent of total household liabilities were in the form of home mortgages, somewhat more than the 57 percent recorded in 1947 (Table 3). Installment and other consumer credit, as a proportion of total liabilities, was unchanged at 29 percent in 1947 and 1977, as well as in mid-1978.

In comparison, the composition of total assets has changed dramatically during the past 30 years (see Chart 5). During this entire period, the rate of growth in time and savings accounts has averaged 9.8 percent per year (Table 2). As a result, the proportion of assets held in time and savings accounts have doubled from 15 percent in 1947 to 32 percent in 1977 (Table 3). About half of this increase came in the 25 year period to 1972, the rest occurred during the past five years when the proportion in time and savings accounts rose from 24 to 32 percent.

Holdings of equities maintained high rates of growth prior to 1967 (slightly over 10 percent per year), but since 1967 the growth in holdings of equities has declined sharply. From 1967 to 1972, the value of corporate equities in consumer portfolios rose just 4.8 percent, and during the period 1972-77 declined by 3.2 percent. Overall, the proportion of corporate equities have fallen from a high of 43 percent of total assets in 1967 to a low of 25 percent in 1977.

Pension fund reserves posted strong increases from 1947 through 1972, about 12.0 percent per year, but growth in these reserve funds was also significantly lower in the last five-year period (7.8 percent). The more rapid growth since 1972 in holdings of government and corporate bonds is due mainly to increased holdings of U.S. Savings Bonds. Interestingly, the rate of growth in demand deposits and currency holdings rose sharply since 1962, accompanying higher rates of inflation.

These shifts in the composition of total financial assets have affected the extent of debt coverage that the various assets provide. Importantly, time and savings account balances have grown at a somewhat faster rate than total financial liabilities since 1957. As shown in Table 4, the ratio of time and savings accounts to total financial liabilities has increased from 0.74 in 1957 to 0.96 in 1977 -- when time and savings accounts totalled $995.7 billion and total liabilities were $1,036.1 billion, a deficit easily exceeded by holdings of demand deposits and currency. When mortgage debt is excluded from total liabilities, in 1957 there was $1.86 in time and savings accounts for each dollar in liabilities, and this asset coverage has improved to $2.47 in time and savings balances per dollar of liabilities in 1977. This improvement in the ratio of time and savings accounts to debt indicates that households have cautiously expanded debt relative to liquid assets.

Corresponding to the increased coverage of liabilities by time and savings accounts, the coverage of total liabilities by either corporate equities or government and corporate bonds has diminished sharply since 1947 (Chart 4).

Survey of Consumer Finances

The relatively favorable trends in coverage of debt by liquid assets may be illusionary if within any given household the growth in mortgage and consumer debt is not being balanced by increased time and savings balances. Household survey data, from the 1977 Survey of Consumer Finances, indicates the widespread increase in holdings of liquid assets.

Ownership of checking and savings accounts has grown significantly over the past quarter-century, with ownership of each type of account rising from half of all households in 1951 to more than three in four in 1977 (Table 5). In the 1977 survey, just 8 percent of all households reported having no liquid assets, half as many households as in 1970. Unlike the increasing trend in both savings account ownership and savings balances, the proportion of households who reported holding corporate stocks has remained unchanged since 1970 at about one in four, in contrast to the sharp declines in total equity balances. Importantly, the ratio of liquid assets to family income, calculated at the level of individual households, has doubled from 0.06 in 1963 to 0.13 in 1977. In 1977, the median value of liquid assets held among all families was $1,675.

In contrast to the increased frequency of liquid asset holdings among households, the proportion of households having some outstanding debt in 1977 was 48 percent, unchanged from 1970 (see Table 6). More importantly, the level of outstanding debt to household income has not increased significantly. In 1977, the median household had 10 percent of their income in outstanding debt, up insignificantly from 9 percent recorded in 1970, and somewhat below the 11 percent recorded in 1963. Interestingly, in 1977, 45 percent of all households reported having outstanding installment debt, down from 49 percent in 1970, while 31 percent reported having outstanding credit card balances as compared to 21 percent in 1970. Consequently, although the same proportion of households have outstanding debt, the composition of debt is shifting toward credit cards and away from fixed payment installment debt.

TABLE 1

TRENDS IN THE HOUSEHOLD SECTOR'S FINANCIAL ASSETS AND LIABILITIES, 1947-1977

(Year end outstanding levels -- billions of current dollars)

	1947	1952	1957	1962	1967	1972	1977	1978:2[b]
Total Financial Assets	386.6	521.5	742.2	1093.5	1688.5	2389.0	3097.4	3265.1
Demand deposits + currency	58.3	62.3	66.6	71.2	100.7	144.6	204.4	215.0
Time & savings accounts	59.9	79.8	127.3	209.3	342.9	569.2	995.7	1055.0
Government & corporate bonds	97.3	105.0	129.9	158.5	197.8	259.1	410.5	429.2
Corporate equities	101.3	170.4	267.3	437.3	720.6	913.7	777.0	824.9
Life insurance reserves	46.5	60.7	75.5	92.4	115.4	143.1	180.1	184.2
Pension funds reserves	15.0	32.6	62.7	109.3	186.4	323.0	469.8	493.1
Miscellaneous assets	8.3	10.7	12.9	15.5	24.7	36.3	59.9	63.8
Total Liabilities	45.9	96.8	171.9	266.2	405.3	616.8	1036.1	1104.3
Home mortgages	26.3	54.8	103.4	163.8	241.0	359.4	633.8	678.6
Installment credit	6.7	19.4	33.9	48.7	79.4	126.8	216.6	233.4
Other consumer credit	6.6	11.5	15.8	23.3	35.6	55.5	81.7	83.7
Miscellaneous liabilities	6.3	11.1	18.8	30.4	49.3	75.1	104.0	108.6
Total financial assets minus total liabilities	340.7	424.7	570.3	827.3	1283.2	1772.2	2061.3	2160.8
Market value of owner-occupied homes	82.0	175.6	255.1	336.2	429.5	669.2	1255.8	a

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[a] Not available.
[b] As of June 30, 1978.
Source: Federal Reserve Board.

TABLE 2

ANNUAL COMPOUNDED RATES OF GROWTH IN ASSETS AND LIABILITIES, 1947-1977

	Five-year Intervals						
	1947-1952	1952-1957	1957-1962	1962-1967	1967-1972	1972-1977	1947-1977
Total Financial Assets	6.1%	7.3%	8.0%	9.0%	7.2%	5.3%	7.2%
Demand deposits + currency	1.3	1.2	1.3	7.2	7.5	7.2	4.3
Time & savings accounts	5.9	9.8	10.4	10.3	10.6	11.8	9.8
Government & corporate bonds	1.5	4.3	4.1	4.5	5.5	9.8	4.9
Corporate equities	11.0	9.4	10.3	10.5	4.8	-3.2	7.0
Life insurance reserves	5.4	4.4	4.1	4.5	4.4	4.7	4.6
Pension funds reserves	16.8	14.0	11.8	11.3	11.6	7.8	12.2
Miscellaneous assets	5.2	3.8	3.7	9.8	8.0	10.5	6.8
Total Liabilities	16.1	12.1	9.1	8.8	8.8	10.9	10.9
Home mortgages	15.8	13.5	9.6	8.1	8.4	12.0	11.2
Installment credit	23.6	11.8	7.5	10.3	9.8	11.2	12.3
Other consumer credit	11.8	6.5	8.1	8.8	9.3	8.1	8.7
Miscellaneous liabilities	12.0	11.1	10.1	10.2	8.8	6.7	9.8
Total financial assets minus total liabilities	4.5	6.1	7.8	9.2	6.7	3.1	6.2
Market value of owner-occupied homes	16.5	7.8	5.6	5.0	9.3	13.4	9.5

TABLE 3

PORTFOLIO SHARES OF TOTAL HOUSEHOLD ASSETS AND LIABILITIES

	1947	1952	1957	1962	1967	1972	1977	1978
Total Financial Assets	100%	100%	100%	100%	100%	100%	100%	100
Demand deposits + currency	15	12	9	7	6	6	7	7
Time & savings accounts	15	15	17	19	20	24	32	32
Government & corporate bonds	25	20	18	15	12	11	13	13
Corporate equities	26	33	36	40	43	38	25	25
Life insurance reserves	12	12	10	8	7	6	6	6
Pension funds reserves	4	6	8	10	11	14	15	15
Miscellaneous assets	3	2	2	1	1	1	2	2
Total Liabilities	100%	100%	100%	100%	100%	100%	100%	100
Home mortgages	57	57	60	62	60	58	61	61
Installment credit	15	20	20	18	20	21	21	21
Other consumer credit	14	12	9	9	9	9	8	8
Miscellaneous liabilities	14	11	11	11	11	12	10	10

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[a] as of June 30, 1978.

TABLE 4

AGGREGATE FINANCIAL ASSET/LIABILITIES RATIOS

	1947	1952	1957	1962	1967	1972	1977	1978:2[a]
Total financial assets/ total liabilities	8.42	5.39	4.32	4.11	4.17	3.87	2.99	2.96
Total financial assets/ total liabilities-mortgage	19.72	12.42	10.84	10.67	10.28	9.28	7.70	7.69
Time & savings/ total liabilities	1.31	0.82	0.74	0.79	0.85	0.92	0.96	0.96
Time & savings/ total liabilities-mortgage	3.06	1.90	1.86	2.04	2.09	2.21	2.47	2.47
Corporate equities/ total liabilities	2.21	1.76	1.55	1.64	1.78	1.48	0.75	0.75
Government & corporate bonds/ total liabilities	2.12	1.08	0.76	0.60	0.49	0.42	0.40	0.39

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[a] As of June 30, 1978.

TABLE 5

TRENDS IN SELECTED FINANCIAL ASSETS AMONG HOUSEHOLDS, 1951-1977

Proportion of all families holding:	1951	1960	1963	1968	1969	1970	1977
Checking accounts	44%	60%	62%	71%	72%	75%	81%
Savings accounts	47	55	56	64	62	65	75
Certificates of deposit	a	a	a	5	5	8	14
Bonds[b]	43	32	26	26	26	28	32
Stocks[c]	9	17	20	23	23	26	25
Liquid Assets[d]							
Proportion having none	a	a	22%	19%	19%	16%	8%
Median value (all families)[e]	a	a	$400	$650	$650	$800	$1675
Median value/ median income	a	a	.084	.087	.081	.092	.122
Family asset/income ratio[g]	a	a	.060	a	a	.077	.129
Home Ownership							
Home owner[f]	a	58%	61%	60%	61%	62%	64%
Trailer owner	a	a	a	2	2	4	5
Median value owner-occupied nonfarm houses[e] (in thousands)	a	$11.1	$12.5	$15.4	$15.2	$17.8	$38.0
Median net equity[e] (in thousands)	a	a	a	$10.1	$10.2	$11.5	$27.0

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[a] Not available.

[b] Up to and including 1968 only government savings bonds are included. The ownership of other bonds was so uncommon in earlier years that these data are therefore fairly comparable. In 1970 and 1977 only 2 percent of total families owned nongovernment bonds.

[c] Includes mutual funds and investment clubs.

[d] Liquid assets include savings accounts, certificates of deposit, checking accounts, and government savings bonds.

[e] In current dollars.

[f] Includes families that own their own apartments or are joint owners.

[g] Sample median.

Note: Percentages add up to more than one hundred since families may hold more than one type of financial asset.

TABLE 6

TRENDS IN DEBT ACQUISITION, 1960-1977

	1960	1963	1965	1966	1967	1968	1969	1970	1977
Mortgage Debt[b]									
Have mortgage debt	32%	33%	37%	36%	33%	35%	34%	36%	40%
Median outstanding debt[c,e] (in thousands)	$6.4	$7.0	$8.0	$8.9	$8.4	$7.6	$9.0	$10.0	$15.6
Family debt/income ratio[e]	a	.94	a	a	a	a	a	.74	.70
Recent Purchases[d]									
Percent of buyers incurring mortgages	91%	a	81%	75%	76%	79%	76%	87%	87%
Median mortgage incurred[c] (in thousands)	$10.7	a	$11.3	$13.3	$13.0	$13.1	$13.9	$14.0	$25.0
Installment Debt									
Have debt	47%	50%	49%	49%	48%	48%	51%	49%	45%
Median debt[c,e]	a	$634	$780	$850	$880	$960	$1020	$940	$1980
Median debt/median income	a	a	0.12	0.12	0.13	0.13	0.13	0.12	0.14
Family debt/income ratio[e]	a	0.11	a	a	a	a	a	0.09	0.11
Credit Cards									
Percent using prior month	a	a	a	a	a	a	a	38%	43%
Median monthly charge[c,e]	a	a	a	a	a	a	a	$50	$100
Percent with outstanding balance	a	a	a	a	a	a	a	21%	31%
Median balance owed[c,e]	a	a	a	a	a	a	a	$105	$250
Total Debt									
Percent with debt	a	64%	a	a	a	a	a	48%	48%
Median debt all families[c]	a	$500	a	a	a	a	a	$647	$780
Family Debt/Income Ratio[e]									
All families	a	0.11	a	a	a	a	a	0.09	0.10
Debtors only	a	0.40	a	a	a	a	a	0.39	0.41

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[a] Not available.

[b] Trailers are excluded.

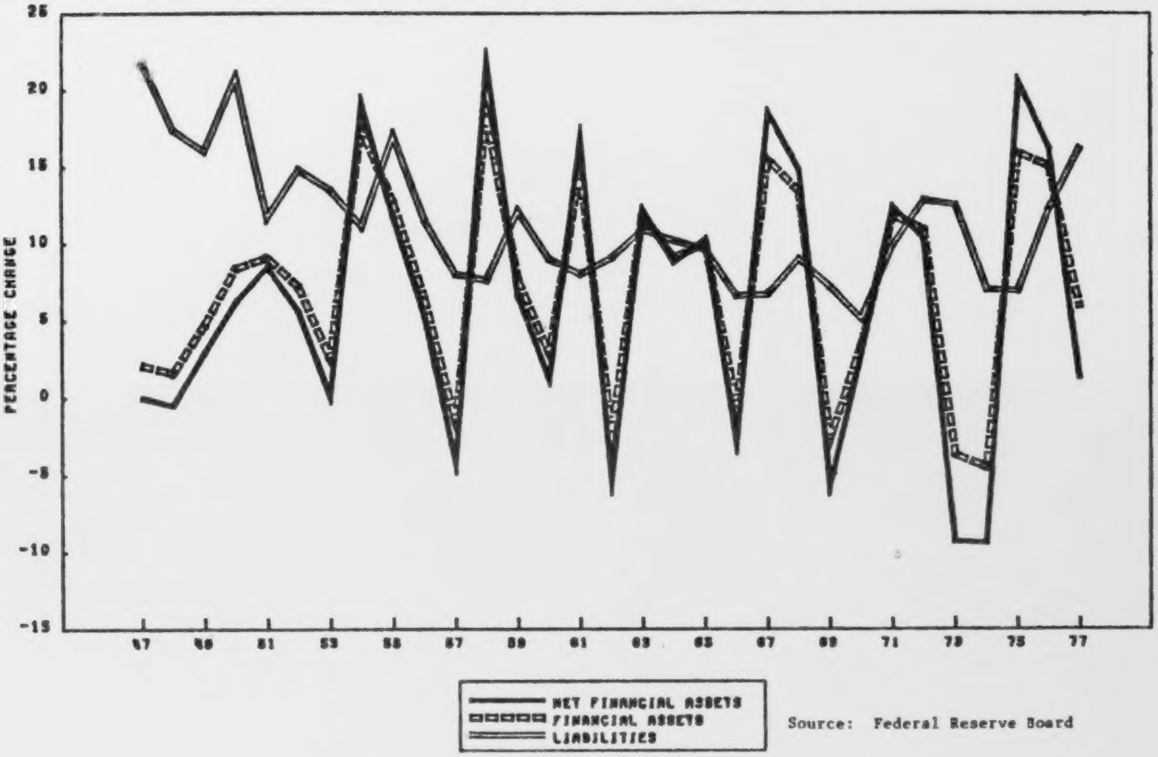
[c] Debt in current dollars.

[d] In transaction year prior to survey date.

[e] Sample median among families with indicated debt.

CHART 1

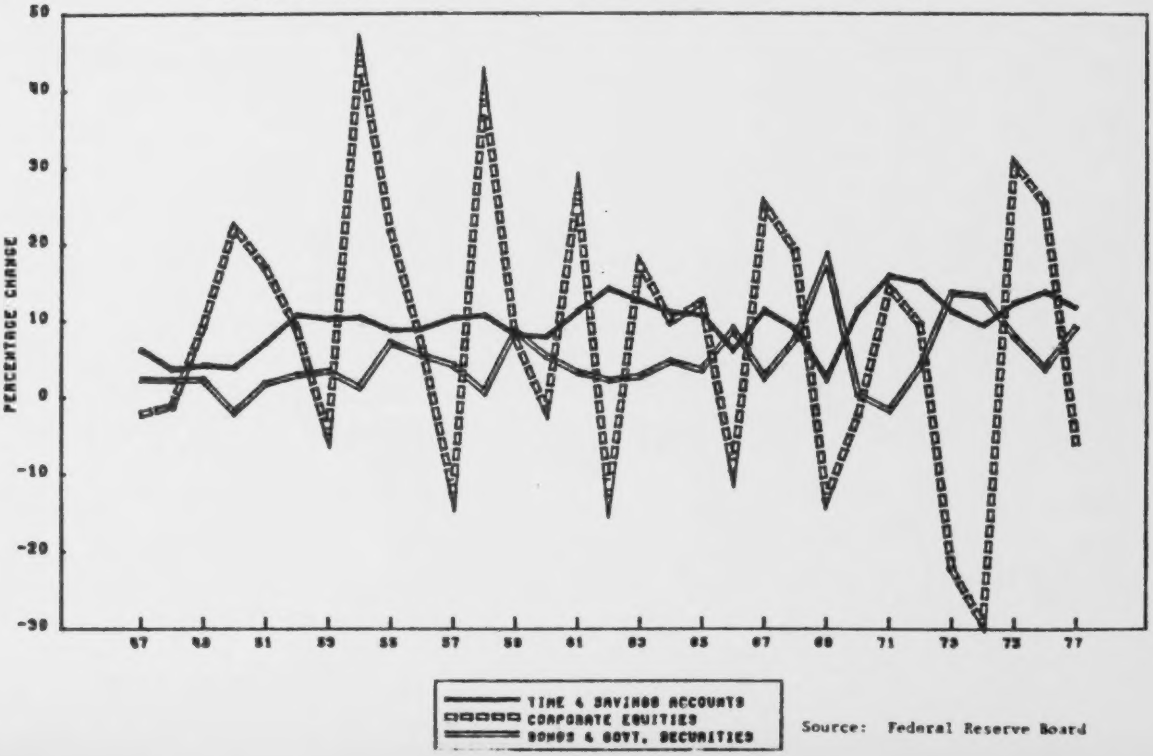
ANNUAL RATES OF CHANGE IN
HOUSEHOLD FINANANCIAL ASSETS, LIABILITIES AND NET ASSETS



Source: Federal Reserve Board

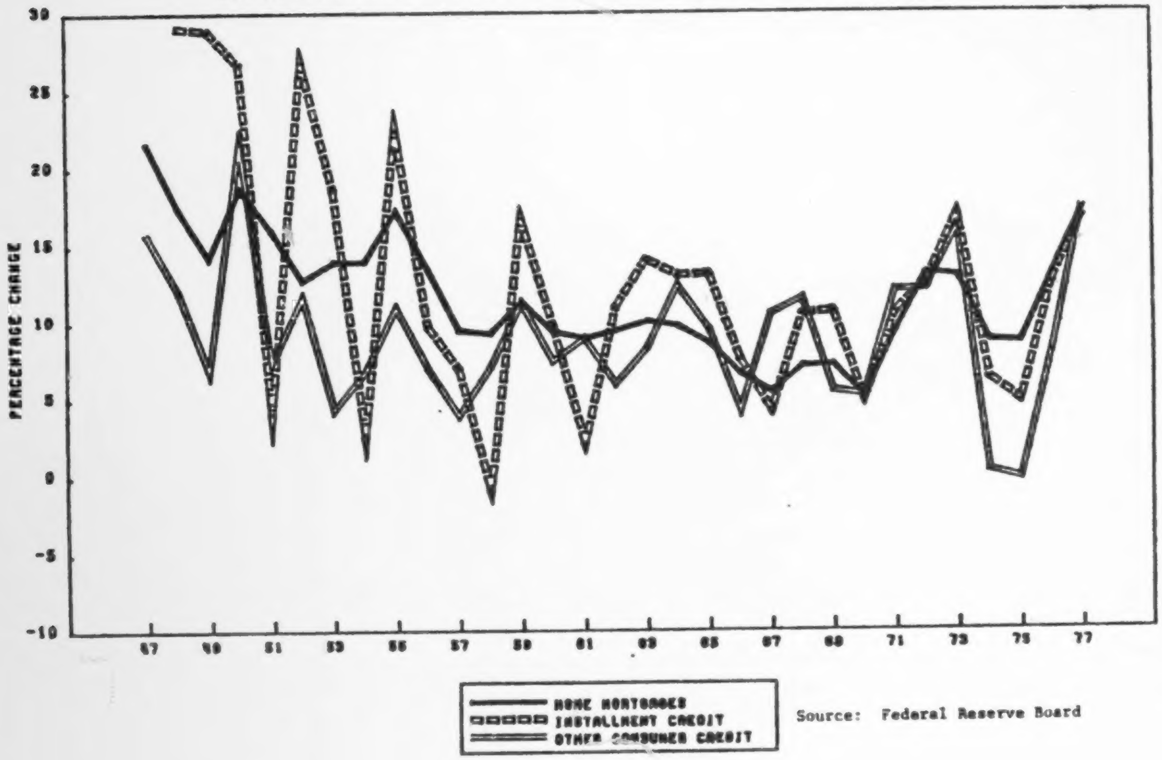
CHART 2

ANNUAL RATES OF CHANGE
IN HOUSEHOLD FINANCIAL ASSETS BY TYPE OF ASSET



Source: Federal Reserve Board

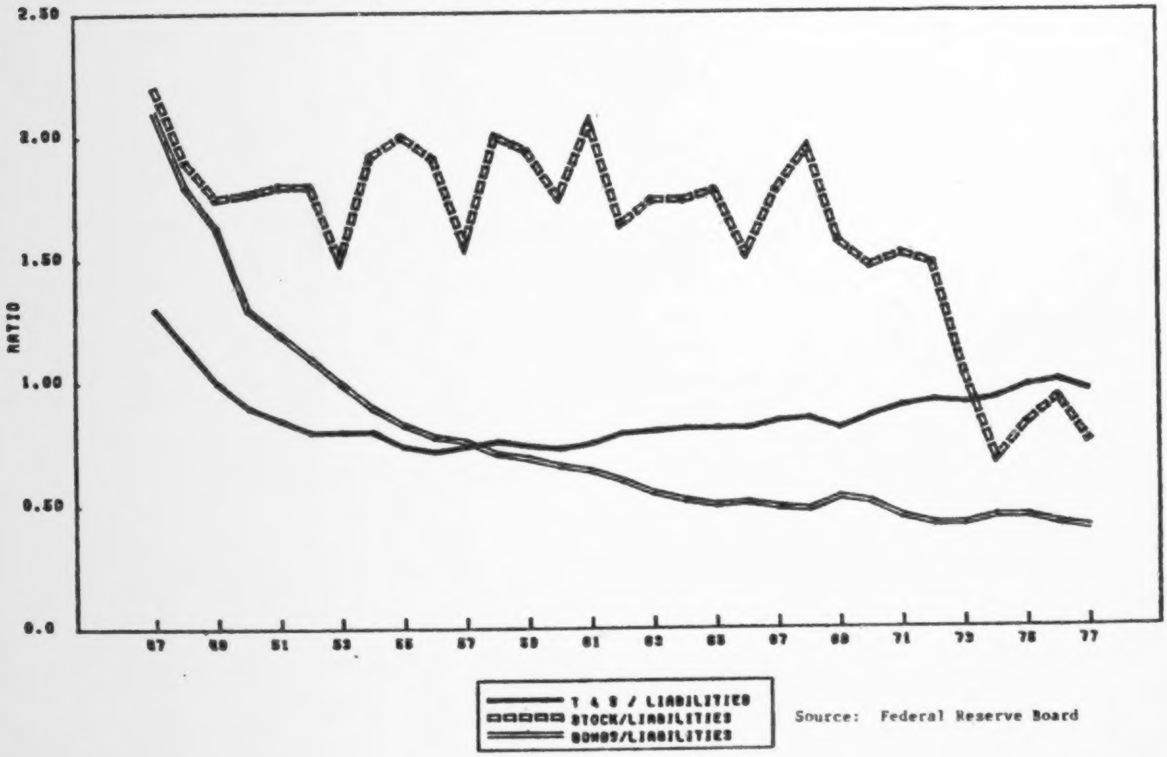
ANNUAL RATES OF CHANGE
IN HOUSEHOLD LIABILITIES BY TYPE OF LIABILITY



Source: Federal Reserve Board

CHART 4

FINANCIAL RATIOS FOR THE HOUSEHOLD SECTOR:
ASSETS TO TOTAL LIABILITIES BY TYPE OF ASSET



Source: Federal Reserve Board

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HOUSING STATUS OF AMERICAN FAMILIES

by

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From 1946 until 1970, the Survey Research Center, with the support of the Federal Reserve Board, conducted an annual Survey of Consumer Finances (SCF). These surveys were updated and enlarged with the 1977 Survey of Consumer Credit (SCC), jointly funded by the Board the FDIC and the Comptroller of the Currency. The 1977 Survey of Consumer Finances adds to the rich source of cross sectional data on the distribution of assets, debts, durable goods and financial transactions among American families. This national survey consisted of 2,563 respondents personally interviewed during August 1977.

Introduction

Despite record housing prices and interest rates, home ownership has continued to increase during the past seven years. The single family home continues to be the mainstay, although trailers are being used increasingly by older families. Mortgage payments and interest costs have risen sharply in recent years, but so have house values, leaving net housing equity higher. A multivariate analysis indicates the increasing importance during the past decade of income for home ownership.

Housing Status and Type of Structure

Home ownership continued its slow but steady climb. Nearly 70 percent of all nonfarm families owned their place of residence in 1977, compared to just 58 percent in 1960. Trailer ownership has grown markedly during the past decade, climbing from just 2 percent in 1967 to 5 percent of all nonfarm families in 1977. Reflecting these trends, the proportion of families that rent has fallen from 38 percent in 1960 to 28 percent in 1977 (Table 1).

During the past decade, home ownership increased among all income classes except among those in the lowest 20 percent of the income distribution. The largest increases in home ownership occurred among families in the top 40 percent of the income distribution. In 1977, only four-in-ten families in the lowest income quintile owned their own home, compared to nine-in-ten among families in the highest income quintile (Table 2).

Three out of four families whose head was 35 or older owned their homes in 1977. Home ownership increased slightly among those aged 25-34 in the late 1960s, with slightly more than half owning their own home in 1977. Home ownership among families with heads younger than age 25 has fallen since 1949, with just 13 percent reporting home ownership in 1977. Consequently, the current age group between 25 and 34 started out with a lower rate of home ownership and after only seven years has hit record levels of home ownership for that age group (see table below).

HOME OWNERSHIP
(Percentage Distribution of Families)

Age of Head	1949	1960	1970	1977
Younger than 25	21	14	12	13
25-34	35	44	48	51
35-44	53	64	72	75
45-54	59	69	74	79
55-64	62	62	77	75
65 and older	59	65	71	74

Source: 1977 SCF, Table C-2.

Seventy percent of the very young families rented in 1977 compared to 63 percent in 1970. The percent of households with heads 55 or older living in trailers has nearly doubled to six percent in 1977 (Table 3). In contrast, less than 20 percent of families with head age 35 or older rented in 1977 (Table 2).

The proportion of Blacks that own homes increased to 54 percent in 1977 and nearly one-half of all Hispanic families are homeowners. Home ownership among Caucasians has remained steady since 1967 at nearly two-thirds (Table 2).

Although the overall proportion of families living in single-family homes has remained steady at just over 70 percent, the proportion of married couples with children living in single-family homes has increased slightly. In contrast, the proportion of married couples without children living in single family homes increased sharply since the late 1960s (Table 3).

Housing Transactions

Despite housing prices, five percent of nonfarm families made purchases in 1976. The median purchase price of houses more than doubled since 1967, to $32,000 in 1976. Houses bought during the first eight months of 1977 had a median purchase price of $35,000. The Consumer Price Index rose 83 percent from 100 in 1967 to 183 in 1976. If the median purchase price was adjusted accordingly, the median purchase in 1976 was $17,000 in 1967 dollars, amounting to a 15 percent increase. One percent of the families purchased trailers in 1976 compared to two percent in 1969.

The proportion of house purchasers incurring mortgage debt remained steady at 87 percent. The median mortgage incurred rose from $14,000 in 1969 to $25,000 in 1976 (Table 4).

Housing Payments

Over sixty percent of nonfarm homeowning families had mortgage debt in 1977. This is an increase from 53 percent in 1967. Almost one-third of homeowners with mortgage debt were paying $250 or more a month in mortgage payments. The median monthly mortgage payments rose to $184 in September, 1977 from $90 in 1967 - a 204 percent increase (Table 5).

The median monthly rental payment also doubled since 1967. Half of the renters paid more than $72 in 1967 compared to $145 in 1977. Almost one-tenth of all renters paid $250 or more a month in rent in 1977 (Table 6).

Higher monthly mortgage payments were due to higher housing prices as well as higher interest rates. Three-quarters of homes financed in 1976 or 1977 had a mortgage with an interest rate of eight percent or more. Forty-one percent of families with mortgage debt were paying interest rates of eight percent or more (Table 7).

House Values, Mortgage Debt and Net Equity

While almost one-third of all homes were valued at $25,000 or more in 1970, virtually every home was in 1977. The median house value more than doubled during the past seven years. In 1967 constant dollars, house values rose 35 percent since 1970. Median mortgage debt was unchanged in terms of 1967 dollars, although it rose 56 percent in current dollars since 1970.

Since 1967, mortgage debt has been a declining fraction of house values. The ratio of median net equity to median house value available for all homeowners has increased from 0.66 in 1967 to 0.71 in 1976. Since net equity is the difference between the current market value of the house and mortgage debt, when the ratio of net equity to house value rises, the ratio of mortgage debt to house values must fall. Consequently, net housing equity rose faster than even house values or mortgage debt. The median net equity increased from $11,500 in 1970 to $27,000 in 1977. In terms of 1967 dollars, median net equity rose almost fifty percent, and rose 235% in current dollars since 1977.

The median house value was highest in 1977 among families with heads age 35-54 -- about $42,000. House values increase sharply with the level of family income, but by less than the proportionate change in income. The mean house value of families with $5,000 annual income or less was $25,000 compared to $64,000 among families with annual incomes of $25,000 or more. Mean mortgage debt decreases with age and increases with income, while net equity increases with both age and income (Tables 9 and 10). In 1965, only nine percent of elderly families had net housing equity of $25,000 or more. In 1977, 55 percent of the elderly homeowners had net equity of $25,000 or more (Table 11). Net housing equity among the elderly has increased slightly in real terms, since 51 percent had net equity of $10,000 or more in 1965, while 55 percent in 1977 had net equity of $13,000 or more in 1965 dollars.

Even with the large increases in net equity, the proportion of homeowners taking out second mortgages has reamined unchanged. Of the 61 percent of homeowners that had mortgage debt in 1977, six percent had an outstanding second mortgage and eight percent had refinanced their present mortgage. Families with heads age 45 or older and married were most likely to have refinanced their mortgage. Eleven percent of families with incomes between $10,000 and $15,000 had a second mortgage. Refinanc- was more likely in the Northeast and North Central regions, while second mortgages were more common in the South and the West (Table 12).

AID Analysis of Home Ownership

The possibility of a family owning a home increases when the family has a higher income. However, changes in the level of income do not necessarily have the same effect on the likelihood of homeownership among different demographic groups. Different patterns of the effects of demographic variables can be shown by selecting and defining demographic subgroups which maximize the differences in the proportion of families who own their homes.

The groups formed by the AID analysis in 1977 by the first and second splits are shown below:

Groups	Percent that Own 1977	Percent that Own 1970
Younger families (head younger than age 35)		
Income deciles 1-5	19%	22%
Income deciles 6-10	62%	52%
Older families (head older than age 35)		
Income deciles 1-4	62%	52%
Income deciles 5-10	83%	77%

Younger families are almost four times as likely to own their home if they are in the top half of the income distribution than if they are in the bottom half. Older families are only about one third more likely to own a home if they have high incomes. Interestingly, younger families with high incomes are just as likely to own homes as older families with low incomes.

An earlier analysis of home ownership conducted in 1967 found age to be the most important predictor. Among younger families, the number of persons in the family was next in importance, followed by their relative income position. For older families, residential location was the second most important predictor, followed by income. When this same analysis was replicated with 1977 data, changes in homeownership patterns are reflected in the relative likelihood of home ownership between groups.

The likelihood that younger families own homes was still about one-half of that of older families. Larger younger families (with three or more family members) were still more than twice as likely to own a home than a younger family with only one or two members. A major change can be seen for older families. In 1967, families not living in the 12 largest metropolitan areas were twice as likely to own homes than urban families - 74 percent to 35 percent. In 1977 that differential has been substantially narrowed. Sixty-one percent of urban families now own homes compared to seventy-six percent of non-urban families. The large increases in home ownership has also occurred across all income groups of the urban families (Table 15).

When the AID analysis was free to split groups that best explain the 1977 data, age was still the most important predictor, but income replaced residential location and family size as the next most important predictor for both age groups. Income was a more decisive factor in the decision to purchase a home at a time when the cost of housing was increasing. Family size is still an important predictor of home ownership but only for higher income families (Table 13).

The 1977 analysis seems to show a more symmetric grouping due to the greater importance of income as a determinant of home ownership. Income is the main predictor for low income families, while the number of family members is the main predictor for upper income families.

HOUSING TABLE 1

HOUSING STATUS OF NONFARM FAMILIES

(Percentage distribution of nonfarm families)

Housing Status	1960	1963	1966	1967	1968	1969	1970	1977
Home owner[a]	58%	61%	62%	60%	60%	61%	62%	64%
Trailer owner	b	b	3	2	2	2	4	5
Primary renter	36	32	30	33	34	32	30	27
Secondary renter[c]	2	3	2	2	1	2	2	1
Other[d]	4	4	3	3	3	3	2	3
Total	100%	100%	100%	100%	100%	100%	100%	100%

---

[a] Includes families that own their own apartment or are joint owners.

[b] Trailer owners were included in the "other" category in 1960 and 1963.

[c] Secondary renters are families who rent a part of another family's dwelling unit, such as roomers and roommates.

[d] Includes families who receive housing as compensation from employment or gifts.

Source: 1977 Table C-2a.

HOUSING TABLE 2

HOUSING STATUS - 1949-1977

(Percentage distribution of nonfarm families)[a]

	Own Home						Rent					
	1949	1954	1960	1965	1970	1977	1949	1954	1960	1965	1970	1977
All nonfarm families	50%	56%	58%	63%	62%	64%	40%	37%	36%	29%	30%	27%
Family Income Quintiles												
Lowest quintile	40	45	42	46	45	40	38	34	42	36	44	48
Second quintile	43	46	47	47	46	52	46	47	46	42	44	36
Third quintile	47	51	55	64	63	63	45	44	41	32	32	26
Fourth quintile	55	65	68	74	74	78	41	32	28	23	22	18
Highest quintile	69	71	77	86	83	90	28	28	21	13	16	9
Age of Family Head												
Younger than 25	21	17	14	19	12	13	48	58	70	63	63	70
25-34	35	42	44	47	48	51	53	52	50	45	44	40
35-44	53	57	64	69	72	75	42	38	33	25	24	19
45-54	59	63	69	75	74	79	34	31	27	19	21	15
55-64	62	66	62	71	77	75	32	28	29	23	18	18
65 or older	59	63	65	71	71	74	27	23	27	22	21	20
Race												
Caucasian	53	57	61	67	65	66	38	35	34	26	29	26
Black	31	40	38	37	43	54	51	52	53	50	51	40
Hispanic						49						47

---

[a] Percentages do not add up to 100 because families who own trailers, rent part of another family's dwelling, or receive housing as part of compensation are not shown on the table.

Source: 1977,Table C-2.

HOUSING TABLE 3

TYPE OF HOUSING STRUCTURE WITHIN AGE, LIFE CYCLE AND RACE GROUPS -- 1964, 1970, 1977

(Percentage distribution of all families)

	Type of Structure												
	Single Family House			Duplex, Rowhouse, 2-4 family struct.			Apartment of five or more units			Trailer			
	1964	1970	1977	1964	1970	1977	1964	1970	1977	1964	1970	1977	Total
All families	72%	71%	72%	14%	14%	11%	13%	11%	11%	1%	4%	6%	100%
Age of Family Head													
Under 25 years	34	34	37	29	26	23	33	27	28	4	13	12	100%
25-34	67	66	63	18	14	15	14	14	15	1	6	7	100%
35-44	80	80	82	11	12	7	8	6	7	*	2	4	100%
45-54	78	78	85	11	12	7	11	7	5	*	3	3	100%
55-64	78	77	75	12	10	11	9	10	8	1	3	6	100%
65 or older	72	75	73	14	11	13	12	11	9	2	3	5	100%
Life Cycle Stage of Family Head													
Under Age 45													
Unmarried, no children	29	29	32	18	21	22	49	40	41	4	10	5	100%
Married, no children	52	48	58	17	20	16	20	13	17	4	9	9	100%
Married, youngest child under age 6	72	74	75	18	15	11	9	6	5	1	5	9	100%
Married, youngest child age 6 or older	88	88	88	9	7	6	3	3	3	*	2	3	100%
Age 45 or Older													
Married, has children	87	87	89	8	7	7	5	4	2	*	2	2	100%
Married, no children, head in labor force	80	79	85	10	10	5	9	8	7	1	3	3	100%
Married, no children, head retired	83	81	82	10	10	7	6	6	5	1	3	6	100%
Unmarried, no children, head in labor force	52	60	62	18	19	20	28	17	13	2	4	5	100%
Unmarried, no children, head retired	63	67	65	19	13	15	17	16	12	1	4	8	100%
Any Age													
Unmarried, has children	58	55	58	24	25	19	18	16	16	*	4	7	100%
Race													
Caucasian	a	73	73	a	12	11	a	10	10	a	5	6	
Black	a	59	63	a	23	15	a	18	17	a	*	5	100%
Hispanic			62			19			19			*	100%

---

*Less than 0.5%.

[a] Not available for 1964.

HOUSING TABLE 4

TRENDS IN HOUSING PURCHASES -- 1959-1976

	Transaction Year							
Housing Purchases of Nonfarm Families	1959	1961	1965	1966	1967	1968	1969	1976
Percent buying new houses	2[a]	1[a]	2	1	1	1	1	1
Percent buying used houses	3[a]	4[a]	4	3	4	5	4	4
Percent buying a new or used trailer	--	--	1	*	*	*	2	1
Median purchase price, excluding trailers (in thousands)	$12.9[a]	$13.1[a]	$15.9	$13.5	$15.0	$15.0	$18.0	$31.6[b]
Mortgage Debt Incurred by House Purchasers								
Percent of buyers incurring mortgages	91	89	75	76	79	76	87	87
Median mortgage debt incurred (in thousands)[d]	$10.7	$9.9	$13.3	$13.0	$13.1	$13.9	$14.0	$25.0
Price Index for new one-family houses sold (1967=100)[c]	--	--	93	97	100	105	114	190

---

*Less than 0.5%.

[a] Includes trailer purchases.

[b] Only one hundred and nineteen respondents reported home purchases in 1977.

[c] U.S. Bureau of the Census, Construction Reports.

[d] Includes only those families who incurred mortgage debt.

Source: 1970 SCF, Table 3-1; 1977 SCF, Table C-21.

HOUSING TABLE 5

MONTHLY MORTGAGE PAYMENTS[a] FOR SELECTED YEARS

(Percentage distribution of nonfarm homeowning families)

Monthly Mortgage Payments	1960	1962	1967	1968	1969	1970	1977
Have no mortgage debt	40%	37%	47%	44%	44%	42%	39%
Have Mortgage Debt	60	63	53	56	56	58	61
$1-49	11	9	5	5	4	4	1
$50-99	37	35	26	27	24	21	8
$100-149	10	16	16	17	18	19	12
$150-199	2	3	6	7	10	14	12
$200-249							9
$250 or more							19
Total	100%	100%	100%	100%	100%	100%	100%
Median monthly payment (current dollars)	$73	$90	$90	$93	$100	$107	$184
Median monthly payment adjusted (1967:$90=100)	81	100	100	103	111	119	204
Consumer Price Index (1967=100)	89	91	100	104	110	116	183

---

[a] Monthly mortgage payments include payments in current dollars for primary and secondary mortgages. Payments reported by some families include taxes and/or insurance.

Source: 1970 SCF, Table 3-19; 1977 SCF, Table C-5.

HOUSING TABLE 6

MONTHLY RENT PAYMENTS FOR SELECTED YEARS

(Percentage distribution of rent-paying nonfarm families)

Monthly rent payments[a]	1960	1962	1967	1968	1969	1970	1977
$1-49	37%	33%	25%	19%	16%	14%	7%
$50-99	52	52	52	54	53	37	17
$100-149	8	10	18	21	23	27	27
$150-199	3	5	5	6	8	12	28
$200-249							12
$250 or more							9
Total	100%	100%	100%	100%	100%	100%	100%
Median monthly rent	$59	$65	$72	$75	$75	$85	$145
Median monthly rent adjusted (1967:$72=100)	82	90	100	104	104	118	201
Consumer Price Index (1967=100)	89	91	100	104	110	116	183

---

[a] Rents are tabulated for all nonfarm renters, excluding those who rent part of another family's dwelling (roomers and roommates, for example). Rental payments by some families include charges for utilities and furnishings.

Source: 1970 SCF, Table 3-10; 1977 SCF, Table C-6.

HOUSING TABLE 7

MORTGAGE INTEREST RATES[a] FOR THE YEAR OF FINANCING

(Percentage distribution of families with mortgage debt)

Year that Mortgage Was Financed	Less than 6%	6-6.9%	7-7.9%	8-8.9%	9-9.9%	10% or more	Don't Know	Total
1960 or earlier	53%	15%	7%	7%	5%	1%	12%	100%
1961-1965	55	21	6	5	*	1	12	100%
1966-1970	12	35	24	12	2	1	14	100%
1971-1973	6	6	44	23	5	2	14	100%
1974-1975	2	1	19	35	25	8	10	100%
1976-1977	5	2	11	40	27	8	7	100%
All families with mortgage debt	17	13	20	23	12	4	11	100%

---

*Less than 0.5 percent.

[a] When a homeowner has two mortgages, the interest for the one with the higher interest rate is reported. When a homeowner has refinanced a mortgage, the year that it was refinanced is reported. Debt on trailers is not considered mortgage debt.

Source: 1977 SCF, Table C-11a.

HOUSING TABLE 8

VALUE[a] OF HOUSE OWNED, MORTGAGE DEBT AND NET EQUITY -- 1960-1977

(Percentage distribution of owner-occupied nonfarm houses[b])

House Value	1960	1962	1967	1968	1969	1970	1977
Less than $10,000	34%	31%	26%	24%	22%	16%	4%
$10,000-14,999	31	30	26	24	23	22	3
$15,000-19,999	20	20	22	23	20	20	6
$20,000-24,999	15	19	26	29	35	13	7
$25,000-34,999						29	20
$35,000-49,999							29
$50,000 or more							31
Total	100%	100%	100%	100%	100%	100%	100%
Median (in thousands)	$11.1	$12.4	$14.6	$15.0	$15.0	$17.8	$38.0
Mortgage Debt							
Zero	40%	37%	47%	42%	44%	42%	39%
$1-4,999	23	20	15	18	14	14	8
$5,000-9,999	23	21	17	19	16	15	10
$10,000-14,999	11	16	13	13	15	16	11
$15,000-24,999	3	6	8	8	11	13	17
$25,000 or more							15
Total	100%	100%	100%	100%	100%	100%	100%
Median[c] (in thousands)	$6.4	$7.5	$8.4	$7.6	$9.0	$10.0	$15.6
Net Equity in House							
Less than $5,000	d	d	24%	21%	23%	20%	8%
$5,000-9,999	d	d	28	29	26	22	10
$10,000-14,999	d	d	40	41	40	21	10
$15,000-24,999						23	21
$25,000-49,999	d	d	8	9	11	14	35
$50,000 or more							16
Total	d	d	100%	100%	100%	100%	100%
Median (in thousands)	d	d	$9.6	$9.9	$10.0	$11.5	$27.0
Ratio of median net equity to house value	d	d	.66	.66	.67	.65	.71

---

[a] In current dollars.

[b] Trailers are excluded.

[c] For mortgaged houses only.

[d] Not available.

Source: 1977 SCF, Table C-12.

HOUSING TABLE 9

HOUSE VALUE, MORTGAGE DEBT, AND NET EQUITY, BY INCOME GROUP -- 1977

(Percentage distribution of nonfarm homeowning families)

	All nonfarm homeowning families	1977 Family Income					
1977 House Value		Less than $5,000	$5,000 -9,999	$10,000 -14,999	$15,000 -19,999	$20,000 -24,999	$25,000 or more
Less than $20,000	12%	35%	23%	14%	9%	5%	2%
$20,000-29,999	16	17	26	21	19	14	6
$30,000-39,999	20	20	19	27	25	23	12
$40,000-59,999	24	6	16	24	32	33	31
$60,000-79,999	12	3	5	4	10	15	24
$80,000 or more	8	2	1	3	2	6	23
Not ascertained	8	17	10	7	3	4	2
Total	100%	100%	100%	100%	100%	100%	100%
Median house value (in thousands)	$38.0	$21.0	$25.0	$32.0	$36.0	$40.0	$55.0
Average house value (in thousands)	$43.1	$25.3	$29.5	$35.1	$38.6	$45.2	$63.7
1977 Mortgage Debt							
No mortgage debt	39%	73%	57%	44%	24%	20%	19%
$1-4,999	8	7	11	11	8	9	6
$5,000-9,999	9	7	9	11	10	12	11
$10,000-14,999	11	6	8	10	18	13	11
$15,000-24,999	17	4	12	17	21	24	20
$25,000 or more	14	1	2	7	17	20	32
Not ascertained	2	2	1	*	2	2	1
Total	100%	100%	100%	100%	100%	100%	100%
Average mortgage debt (in thousands) (of those with mortgage debt)	$18.2	$9.7	$11.8	$14.4	$18.2	$17.7	$23.5
1977 Net Equity							
Less than $5,000	7%	11%	9%	13%	8%	2%	2%
$5,000-14,999	19	27	30	18	22	22	10
$15,000-24,999	20	23	19	22	30	18	12
$25,000-49,999	34	24	30	36	28	39	42
$50,000 or more	15	6	9	9	9	15	32
Not ascertained	5	9	3	2	3	4	2
Total	100%	100%	100%	100%	100%	100%	100%
Average net equity (in thousands)	$30.5	$20.4	$22.9	$25.7	$24.7	$30.3	$44.7

---

*Less than 0.5%; Source: 1977, Table C-14, C-16, C-19.

HOUSING TABLE 10

HOUSE VALUE, MORTGAGE DEBT, AND NET EQUITY, BY AGE GROUP - 1977
(Percentage distribution of nonfarm homeowning families)

	All nonfarm homeowning families	Age of Head				
1977 House Value		Younger than 35	35-44	45-54	55-64	65 or older
Less than $20,000	12%	11%	8%	9%	17%	16%
$20,000-29,999	16	18	10	15	14	20
$30,000-39,999	20	27	19	17	18	18
$40,000-59,999	24	27	28	26	23	16
$60,000-79,999	12	8	17	16	11	6
$80,000 or more	8	5	11	9	8	4
Not ascertained	8	4	7	8	9	20
Total	100%	100%	100%	100%	100%	100%
Median value (in thousands)	$38.0	$34.7	$42.0	$42.0	$36.0	$30.0
Average house value (in thousands)	$43.1	$39.3	$49.9	$47.7	$42.6	$35.7
1977 Mortgage Debt						
No mortgage debt	39%	7%	15%	28%	56%	86%
$1-4,999	8	6	5	13	13	5
$5,000-9,999	9	6	13	15	11	3
$10,000-14,999	11	14	18	13	6	2
$15,000-24,999	17	33	21	17	9	2
$25,000 or more	14	32	26	13	4	1
Not ascertained	2	2	2	1	1	1
Total	100%	100%	100%	100%	100%	100%
Average mortgage debt[a] (in thousands)	$18.0	$21.8	$20.8	$15.3	$11.8	$9.7
1977 Net Equity						
Less than $5,000	7%	15%	4%	6%	4%	6%
$5,000-14,999	19	31	22	15	13	13
$15,000-24,999	20	25	22	15	21	16
$25,000-49,999	34	20	32	39	36	41
$50,000 or more	15	6	16	21	21	14
Not ascertained	5	3	4	4	5	10
Total	100%	100%	100%	100%	100%	100%
Average net equity (in thousands)	$30.5	$19.2	$31.1	$35.5	$35.7	$31.6
Cases	1553	316	284	332	302	316

---

[a] Mean mortgage debt of those families with mortgage debt.

Source: 1977, Table C-13, C-18.

HOUSING TABLE 11

NET EQUITY IN HOMES BY AGE, 1965 AND 1977

(Percentage distribution of homeowning nonfarm families)

	All Homeowning Nonfarm Families		Age of Family Head									
			Younger than 35		35-44		45-54		55-64		65 or Older	
Net Equity	1965	1977	1965	1977	1965	1977	1965	1977	1965	1977	1965	1977
Less than $5,000	27%	7%	57%	12%	31%	4%	21%	6%	12%	4%	15%	6%
$5,000-9,999	29	9	30	17	30	9	30	7	25	6	34	7
$10,000-14,999	36	10	11	14	30	13	40	8	49	7	42	6
$15,000-24,999		20		25		22		13		21		16
$25,000-49,999	8	34	1	20	9	32	9	39	14	36	9	41
$50,000 or more		15		6		16		21		21		14
N.A.	*	5	1	3	*	4	*	4	*	5	*	10
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

---

[*] Less than 0.5 %.

[a] In current dollars.

[b] In thousands.

Source: 1965 SCF, Table 6-6, 1977, Table C-18a.

HOUSING TABLE 12

PRIMARY, SECONDARY AND REFINANCED MORTGAGES -- 1977

(Percentage distribution of home-owning families with mortgage debt)

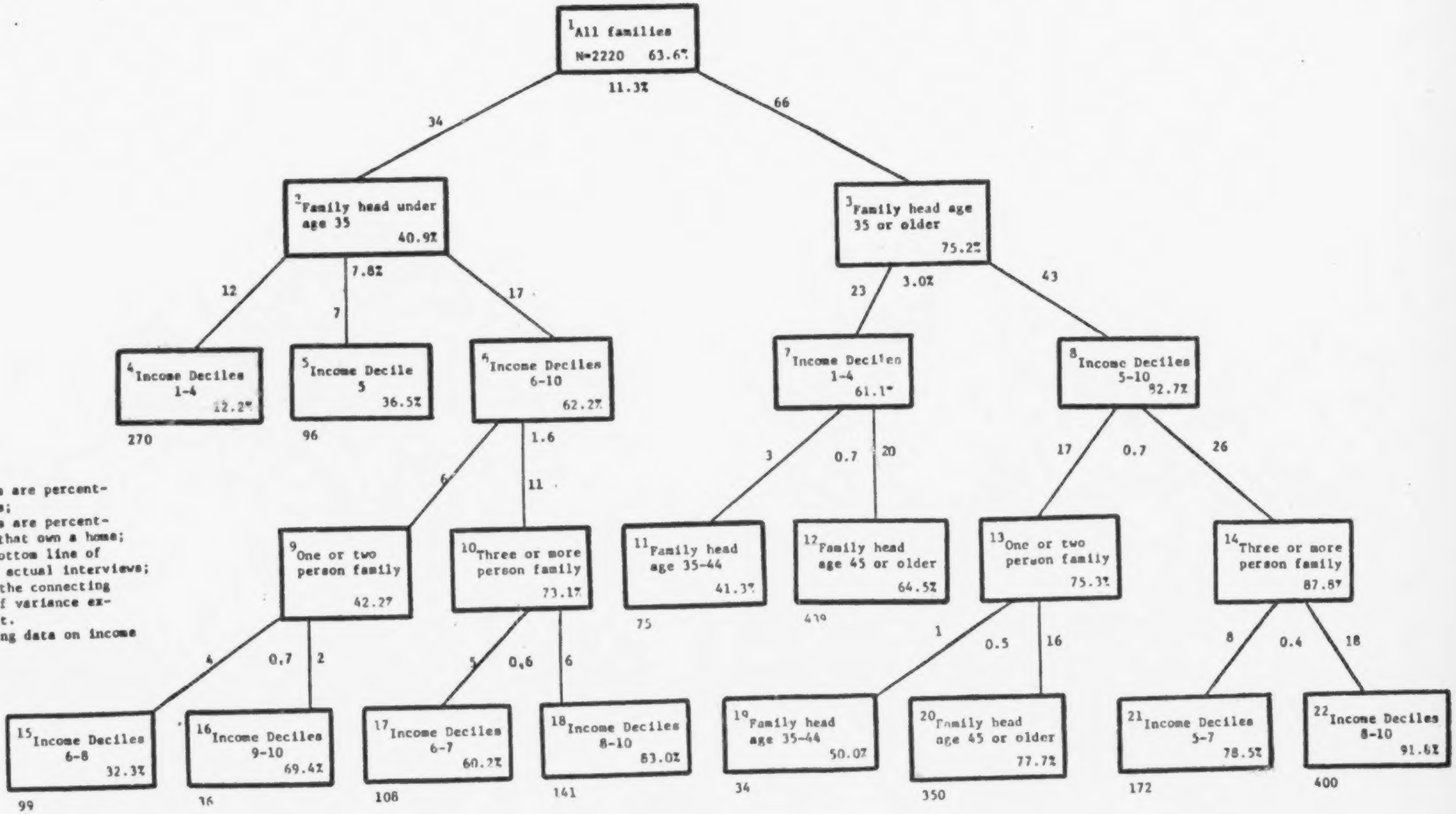
	Primary mortgage only	Primary and secondary mortgage	Ever refinanced mortgage	Total	Cases
All families	86%	6%	8%	100%	1035
Family Income					
Less than $10,000	85	6	9	100%	142
$10,000-14,999	80	11	9	100%	170
$15,000-19,999	91	4	5	100%	187
$20,000-24,999	83	6	11	100%	169
$25,000 or more	88	5	7	100%	272
Age of Family Head					
Younger than 35	90	6	4	100%	330
35-44	86	7	7	100%	260
45-54	83	6	11	100%	249
55-64	84	6	10	100%	145
65 or older	84	2	14	100%	51
Region					
Northeast	85	5	10	100%	206
North Central	87	3	10	100%	306
South	87	8	5	100%	309
West	84	9	7	100%	214

Source: 1977 SCF, Table C-10.

HOUSING TABLE 13

HOME OWNERSHIP IN 1977 -- FREE AID ANALYSIS

(All families excluding trailer owners)


1 All families
N=2220 63.6%
11.3%
34
66
2 Family head under age 35 40.9%
3 Family head age 35 or older 75.2%
12
7.8%
7
17
23
3.0%
43
4 Income Deciles 1-4 12.2%
270
5 Income Decile 5 36.5%
96
6 Income Deciles 6-10 62.2%
7 Income Deciles 1-4 61.1%
8 Income Deciles 5-10 92.7%
6
1.6
11
3
0.7
20
17
0.7
26
9 One or two person family 42.2%
10 Three or more person family 73.1%
11 Family head age 35-44 41.3%
75
12 Family head age 45 or older 64.5%
419
13 One or two person family 75.3%
14 Three or more person family 87.8%
4
0,7
2
5
0,6
6
1
0.5
16
8
0.4
18
15 Income Deciles 6-8 32.3%
99
16 Income Deciles 9-10 69.4%
16
17 Income Deciles 6-7 60.2%
108
18 Income Deciles 8-10 83.0%
141
19 Family head age 35-44 50.0%
34
20 Family head age 45 or older 77.7%
350
21 Income Deciles 5-7 78.5%
172
22 Income Deciles 8-10 91.6%
400

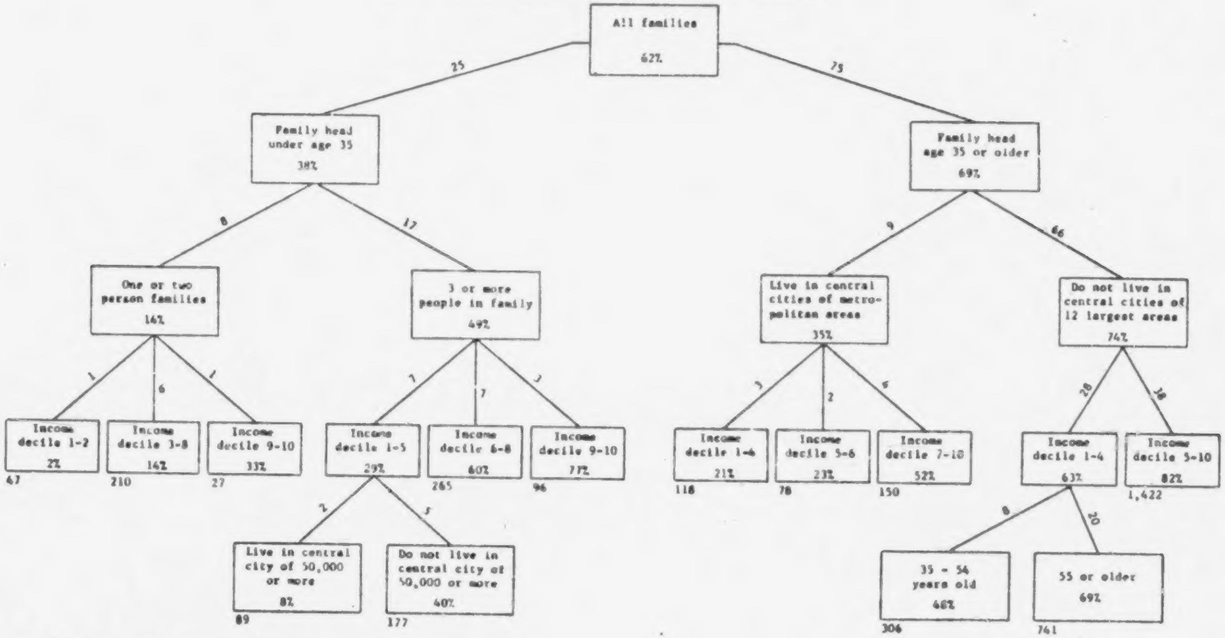
Notes: Numbers on the lines are percentages of all families;
Numbers in the boxes are percentages of that group that own a home;
Numbers below the bottom line of boxes are number of actual interviews;
Numbers in between the connecting lines are percent of variance explained by the split.
Families with missing data on income are excluded.

Source: #619376.

HOUSING TABLE 14
AID ANALYSIS

HOME OWNERSHIP IN EARLY 1967

(All families excluding trailer owners)

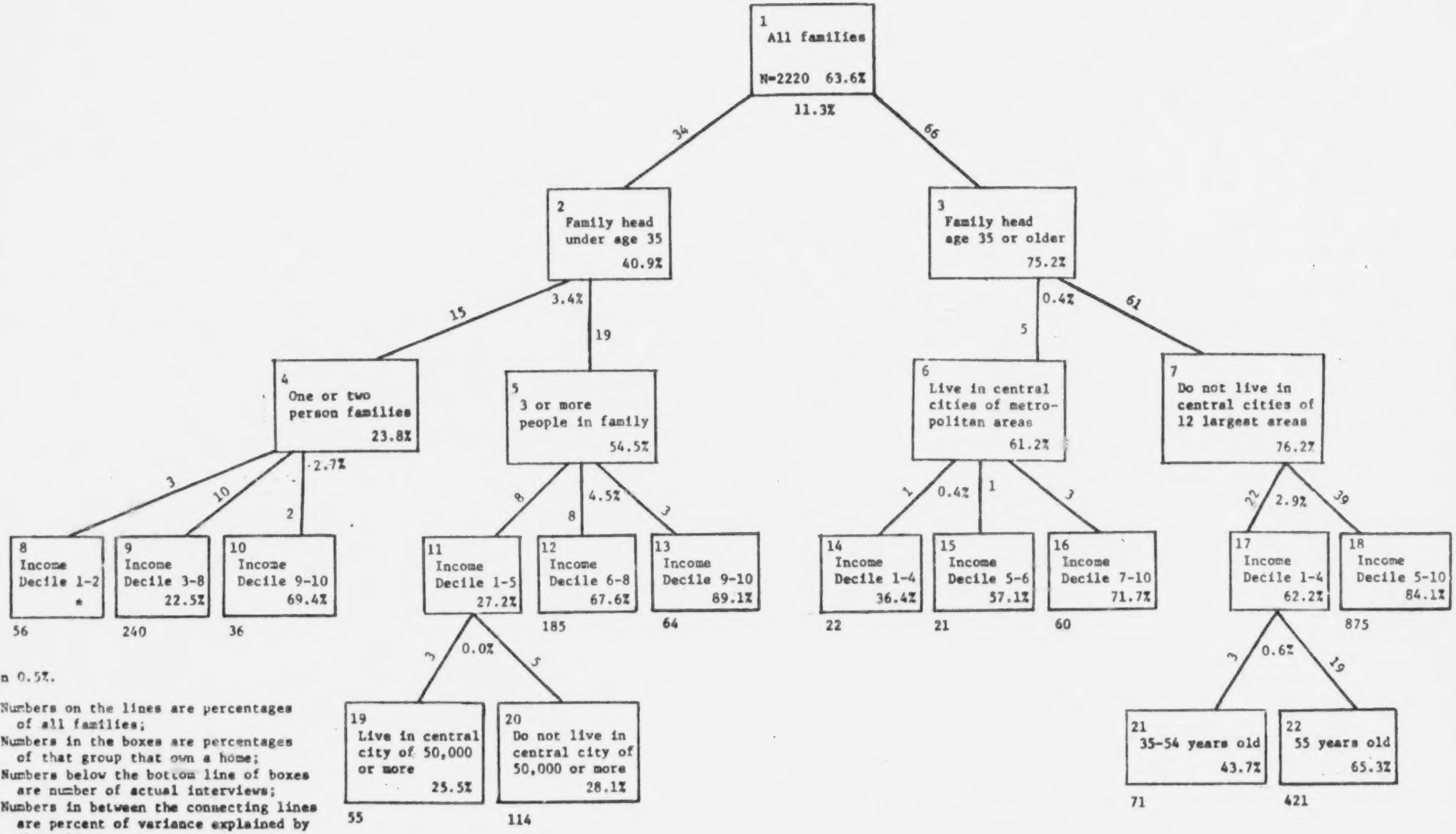

All families
62%
25
75
Family head
under age 35
38%
Family head
age 35 or older
69%
8
17
9
66
One or two
person families
14%
3 or more
people in family
49%
Live in central
cities of metro-
politan areas
35%
Do not live in
central cities of
12 largest areas
74%
1
6
1
7
7
3
3
2
4
28
38
Income
decile 1-2
2%
47
Income
decile 3-8
14%
210
Income
decile 9-10
33%
27
Income
decile 1-5
29%
Income
decile 6-8
60%
265
Income
decile 9-10
77%
96
Income
decile 1-4
21%
118
Income
decile 5-6
23%
78
Income
decile 7-10
52%
150
Income
decile 1-4
63%
Income
decile 5-10
82%
1,422
2
5
8
20
Live in central
city of 50,000
or more
8%
89
Do not live in
central city of
50,000 or more
40%
177
35 - 54
years old
48%
306
55 or older
69%
741

Notes: Numbers on the lines are percentages of all families.
Numbers in the boxes are percentages of that group who own a home.
Numbers appearing below the boxes are number of actual interviews.

HOUSING TABLE 13

HOME OWNERSHIP IN 1977 -- FIXED AID ANALYSIS

(All families excluding trailer owners)


1
All families
N=2220 63.6%
11.3%
34
66
2
Family head
under age 35
40.9%
3
Family head
age 35 or older
75.2%
15
3.4%
19
0.4%
5
61
4
One or two
person families
23.8%
5
3 or more
people in family
54.5%
6
Live in central
cities of metro-
politan areas
61.2%
7
Do not live in
central cities of
12 largest areas
76.2%
3
10
2.7%
2
8
4.5%
8
3
1
0.4%
1
3
22
2.9%
39
8
Income
Decile 1-2
*
56
9
Income
Decile 3-8
22.5%
240
10
Income
Decile 9-10
69.4%
36
11
Income
Decile 1-5
27.2%
12
Income
Decile 6-8
67.6%
185
13
Income
Decile 9-10
89.1%
64
14
Income
Decile 1-4
36.4%
22
15
Income
Decile 5-6
57.1%
21
16
Income
Decile 7-10
71.7%
60
17
Income
Decile 1-4
62.2%
18
Income
Decile 5-10
84.1%
875
3
0.0%
5
3
0.6%
19
19
Live in central
city of 50,000
or more
25.5%
55
20
Do not live in
central city of
50,000 or more
28.1%
114
21
35-54 years old
43.7%
71
22
55 years old
65.3%
421

*Less than 0.5%.

Notes: Numbers on the lines are percentages of all families;
Numbers in the boxes are percentages of that group that own a home;
Numbers below the bottom line of boxes are number of actual interviews;
Numbers in between the connecting lines are percent of variance explained by the split.
Families with missing data on income are excluded.

Source: #636357.

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ASSET OWNERSHIP

by

Richard T. Curtin
Thomas S. Neubig

March 1979 WP3

From 1946 until 1970, the Survey Research Center, with the support of the Federal Reserve Board, conducted an annual Survey of Consumer Finances (SCF). These surveys were updated and enlarged with the 1977 Survey of Consumer Credit (SCC), jointly funded by the Board, the FDIC and the Comptroller of the Currency. The 1977 Survey of Consumer Finances adds to the rich source of cross-sectional data on the distribution of assets, debts, durable goods and financial transactions among American families. This national survey consisted of 2,563 respondents personally interviewed during August 1977.

Highlights

Significant shifts in the composition of financial assets and liabilities in household portfolios have occurred since the early 1950s. Aggregate financial data on trends in financial assets and liabilities document a sharp slowdown in the rate of growth in households' financial net worth, an aggregate shift toward more liquid assets, especially in the form of time and savings accounts, and more rapid increase in liquid assets than in mortgage or consumer debt.[1]

This paper details the shifting composition of asset holdings during the past several decades among American families, as well as among several important demographic subgroups. The median value of liquid asset holdings increased between 1970 and 1977 faster than consumer prices or consumer incomes. Holdings of liquid assets have become widespread among income and age subgroups, with more rapid growth among younger and lower income households since 1970.

In summary, multivariate analyses of asset holdings show the increased ownership of liquid assets among all subgroups. The bivariate relationship of the demographic variables, except age, with the several different forms of asset ownership were similar to their multivariate relationship. Since 1970, the growth in asset ownership among young and low-income families has narrowed the differences in asset ownership between age and income subgroups. The reduced importance of age and income for asset ownership may not be true, however, for their correlation with the dollar values of family asset holdings.

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[1] Richard T. Curtin, Shifts in the Financial Portfolios of American Households, Working Paper 1, Monitoring Economic Change Program, November 1978.

Ownership of Assets

The ongoing trend from the 1950's toward increasing ownership of liquid assets has continued through 1977 (Table 1).

- The proportion of families who reported having no liquid asset holdings has declined from 22 percent in 1963 to 16 percent in 1970 and 10 percent in 1977.
- In 1977 three quarters of American families held at least one savings account compared with less than half in 1951.
- Checking accounts were held by 81 percent of all families in 1977 compared to 44 percent in 1951.
- Holdings of certificates of deposit nearly tripled since 1969, and stood at 14 percent in 1977.
- Bond holdings expanded in 1977, following declines in the mid-1960's, and matched the levels of the early 1960's when one-third of all families held bonds.

Other forms of asset holdings -- stock and real estate -- remained largely unchanged on balance during the 1970's.

- Stock ownership reached a plateau at 25 percent of all families in the 1970's, after rising from 10 percent in the early 1950's to 20 percent in the 1960's. (Table 1).
- Single home ownership increased slightly from 62 percent of non-farm families in 1970 to 64 percent in 1977. (Table 14).
- In 1970 and 1977 one fifth of all families owned real estate other than owner-occupied homes. (Table 15).

Overall, nine out of ten families held some financial assets in 1977. Asset ownership increased with the level of family income from 70 percent among families with incomes of less than $5,000 to 99 percent of families with more than $20,000 yearly income. Asset ownership was less common among families with heads having less than a high school degree. Unmarried household heads with dependent children were most likely to have no financial assets of any kind: twenty-seven percent of these families held no financial assets, and an additional thirty percent had less than $500 (Table 2).

Value of Liquid Asset Holdings

The median value of liquid asset holdings more than doubled, increasing from $800 in 1970 to $1675 in 1977. The median value of liquid assets has increased faster than consumer prices, so that the real value of liquid asset holdings has increased. The value of liquid assets also rose faster than family income. In 1977 liquid assets equalled 13 percent of total family income, up from 8 percent in 1970. In 1977, the median ratio of liquid assets to total family income was a record .129 (Table 3).

The median value of liquid asset holdings increased for all income groups between 1970 and 1977. The median value of liquid assets doubled to $175 for the families in the lowest fifth of the income distribution, while the median value nearly quadrupled to $12,000 for families in the top fifth of the income distribution. The only demographic groups to experience a decline in the real value of their median liquid assets were unmarried heads, both young and old, without children. Median liquid asset holdings increased the most among married, middle-aged families -- more than doubling in real terms between 1970 and 1977.

The value of liquid asset holdings in comparison to current income increased for every age and income subgroup. The trend was most pronounced for middle-aged families with older children. In 1970, married families with the youngest child age 6 or older had a median ratio of liquid assets to yearly income of less than six percent compared to twelve percent or more in 1977 (Table 5). This occurred despite the median nominal income of these families increasing over sixty percent between 1970 and 1977 (see Appendix Table 1). Table 6 shows the distribution of the ratios of liquid assets to income for several demographic groups. From 1970 to 1977 the proportion of families who had liquid assets valued at one-half or more of their yearly family income increased from twenty to thirty-five percent.

Savings and Checking Accounts

Savings accounts at commerical banks, saving and loan associations and credit unions, are the most common form of reserve funds held by American families. Thirty-one percent of all families held one savings account. Twenty-one percent owned two savings accounts and twenty-three percent owned three or more accounts. Over half the families with incomes of $25,000 or more held three or more savings accounts. Nearly one-quarter of families with a college educated head held four or more accounts (Table 8). Families that owned certificates of deposit, bonds or stocks were also more likely to have three or more different savings accounts. The average number of savings accounts per family was 2.2 in 1977 compared with 1.9 in 1970.

A majority of the families held some of their savings in commercial banks. Nearly 60 percent of families had deposits in banks in 1977, up from 46 percent in 1970. Savings and loan associations were next in line with 25 percent of all families, an increase of 5 percent since 1970. Credit unions experienced the largest proportional increase from 13 percent in 1970 to 21 percent of all families in 1977. In 1977, as well as in 1970, two percent of all families held deposits in mutual share banks.

Ownership of certificates of deposit nearly tripled in the first seven years of the 1970's. The largest growth in ownership of certificates of deposit occurred among heads age 45-64. Nearly one-fifth of families with heads age 45-64 owned certificates of deposit -- a level previously recorded only among retired families. Certificates of deposit were held by one quarter of all retired households in 1977. One-third of the families owning certificates of deposit held more than $10,000 (Table 11).

Sixty percent of all families had one checking account. Twenty-one percent had two or more checking accounts. The more diversified the family's asset portfolios the more likely they were to have several checking accounts. Twelve percent of the college educated heads held three or more checking accounts, compared to five percent for all families (Table 9).

Checking account balances, on the whole, were much smaller than savings account balances. Sixty percent of all families had checking account balances of less than $500, compared to forty percent of all families with savings account balances of less than $500. Nine percent of all families had checking acconnt balances of $2,000 or more. Over thirty percent of all families had savings account balances of $2,000 or more (Tables 7 and 10).

Bond and Stock Holdings

One-third of all families owned bonds in 1977. The largest increase in bond ownership since 1970 occurred among families with a head age 25-54. U.S. savings bond ownership increased from 27 percent in 1970 to 31 percent in 1977. Other bonds, such as state, municipal and corporate bonds, were held by 4 percent of all families in 1977, up from 2 percent of all families in 1970. Bond ownership was more common among high income families. Almost half of families with incomes exceeding $15,000 held bonds compared to one-quarter of families with incomes of less than $15,000. The value of bond holdings in 1977 was relatively small since 85 percent of the bondholders owned only small denomination U.S. savings bonds. Over sixty percent of the bond holdings were valued at less than $1,000 (Table 12).

One-quarter of all families owned stock in 1977. Stock ownership was most common among families with annual incomes exceeding $25,000 or with a college educated head. Over fifty percent of families with incomes more than $25,000 owned stock compared with six percent of families with incomes below $5,000. Twenty-one percent of all families owned some common or preferred corporate stock, seven percent owned shares in a mutual fund, and two percent owned stock through an investment club in 1977, which was nearly identical to the distribution in 1970. Half of the stockowners held equities valued at more than $5,000. High income, older, or college educated heads were most likely to own large stock holdings (Table 13).

Real Estate Ownership

Despite record housing prices and interest rates, home ownership continued its slow but steady climb from 58 percent in 1960 to nearly 70 percent of nonfarm families in 1977. The single family home continues to be the mainstay, although trailer ownership, especially among older families, has grown markedly from 2 percent in 1967 to 5 percent in 1977.[2] Home ownership increased among all income classes except those in the lowest fifth of the income distribution. The median house value more than doubled during the past seven years from $17,800 in 1970 to $38,000 in 1977 (Table 14).

Excluding owner-occupied homes, one in five families owned some real estate, unchanged since 1970. Real estate ownership other than homes was most common among families with heads age 35 to 64 years old. Nearly thirty percent of these families owned some real estate other than homes. Ownership of other real estate ranged from 8 percent of families with an income of less than $5,000 to 46 percent of families with more than $25,000 annual income.

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[2] Richard T. Curtin and Thomas S. Neubig, Housing Status of American Families, Working Paper 2, Monitoring Economic Change Program, January 1979.

Ownership of lots was the most common form of these real estate holdings; ownership of rental property was second most common. Families with high incomes or with a college educated head owned more rental and business property than families with less income or less education (Table 15).

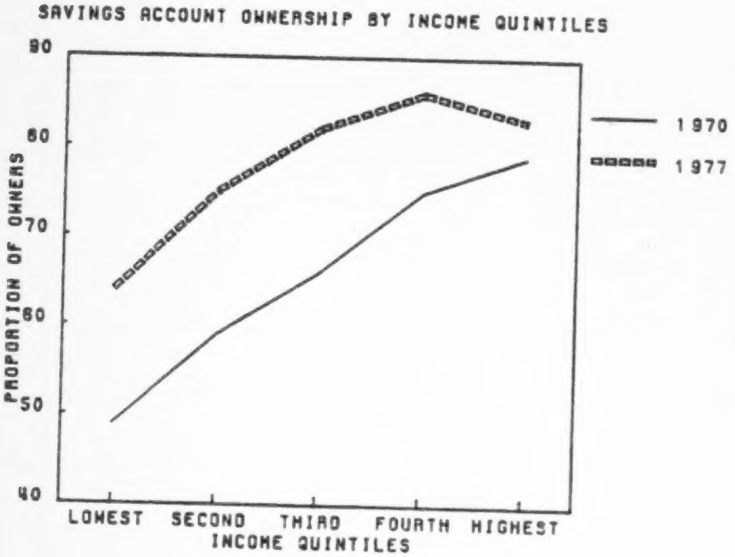
The median value of the real estate other than owner-occupied homes increased from $11,000 in 1970 to $20,000 in 1977. Twenty percent of the families in the highest fifth of the income distribution owned other real estate valued at $50,000 or more (Table 16).

Multivariate Analysis of Asset Ownership

The ownership of different types of financial assets was examined using a multiple classification analysis (MCA).[3] Separate analyses were performed for ownership of savings accounts, checking accounts, certificates of deposit, bonds and stocks. The demographic classifications included were age, education, and life cycle of the family head, ownership of homes, real estate, and installment debt, and use of credit cards. In each analysis the dependent variable was the proportion of owners of a particular asset.

The proportion of families in 1970 and 1977 who reported that they owned each type of financial asset, both for all families and the demographic classification subgroups, appear in Tables 17a and 18a (columns labelled "Reported Mean"). In 1977, the bivariate relationship on income and savings account ownership ranged from 52 percent of the lowest income quintile who reported having savings accounts to 95 percent of the highest income quintile.

The "Adjusted Mean" columns of Table 17a and 18a are estimates of what the proportion of owners would have been if the effects of the other demographic classifications had been held constant. These estimated proportions represent the net impact of a demographic classification on the dependent variable, in this case ownership of a particular financial asset. The adjusted means are plotted for 1970 and 1977 in Charts 1-10. The multivariate relationship of income and savings account ownership ranged from the adjusted proportion of 64 percent of the lowest income quintile to 83 percent of the highest income quintile (see chart 1 and Table 17a).



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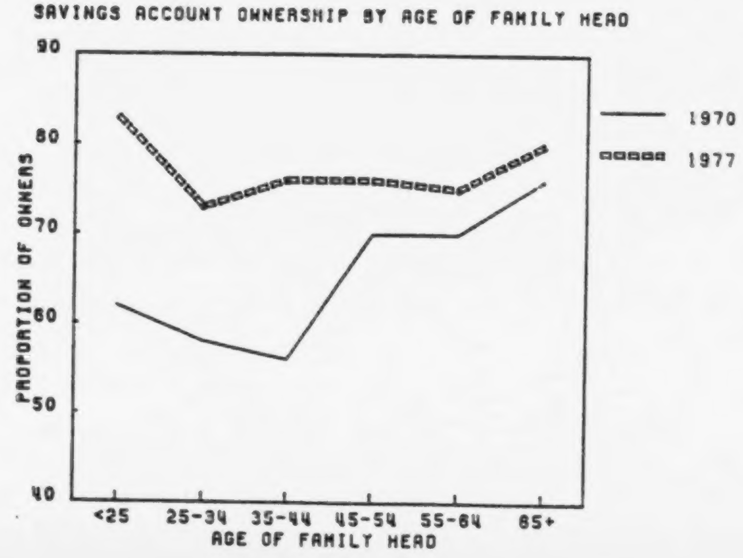
[3] Frank M. Andrews, James N. Morgan, John A. Sonquist, and Laura Klem, Multiple Classification Analysis: A Report on a Computer Program for Multiple Regression Using Categorical Predictors, 2nd ed. (Ann Arbor: Institute for Social Research, The University of Michigan, 1973).

The monotonic relationship between income and savings account ownership held true for the reported proportion as well as for the adjusted proportion. The impact of income on savings account ownership was reduced after adjusting for the effects of the other correlated variables.

The magnitude of the increase in savings account ownership between 1970 and 1977 differs between the reported and adjusted means. Savings account ownership increased 12 percent from 65 percent in 1970 to 77 percent in 1977. The reported mean and the adjusted mean are the same when all families are included. The reported proportion of savings account owners increased 13 percent among households with heads younger than 25 and the reported proportion increased 7 percent between 1970 and 1977 for households with heads older than 65. Comparison of the adjusted proportions for 1970 and 1977 indicates a much greater increase in savings account ownership among younger families. When the effects of other variables are also taken into account, the proportion of savings account owners increased by 21 percent among the youngest families compared to only 4 percent among the oldest families (see Table 17a and Chart 2).

CHART 2



The only demographic classification for which the relationship differed between the bivariate and multivariate results was the age of the family head. The bivariate relationship indicated that asset ownership was highest among middle-aged families. This is consistent with the life cycle notion that middle-aged families are net savers, while older families dissave and younger families are net borrowers. The multivariate relationship between age and asset ownership, however, was the reverse, with younger and older families having slightly greater incidence of asset ownership than middle-aged families.

Charts 1-10 show the shifts in asset ownership among income and age subgroups between 1970 and 1977. Savings account, checking account, and bond ownership increased more among young families than among older families, so the differences in ownership among age and income subgroups narrowed. Since 1970, older families have increased their ownership of certificates of deposit and bonds.

The demographic variables were ranked for the years 1970 and 1977 according to the strength of their correlation with the dependent variable, after adjusting for the effects of the other variables. The rank order of the beta statistic (see Tables 17b and 18b) is a useful indicator of the relative importance of the variables. In the 1977 analysis of stock ownership education was the strongest predictor. The correlation of education and stock ownership, after holding the effects of the other variables constant, was the highest of all the variables (Table 18b).

Income was the strongest predictor of savings account ownership in both 1970 and 1977. Education had the highest ranking for predicting checking account ownership in 1970. Education followed the use of credit

Chart 3

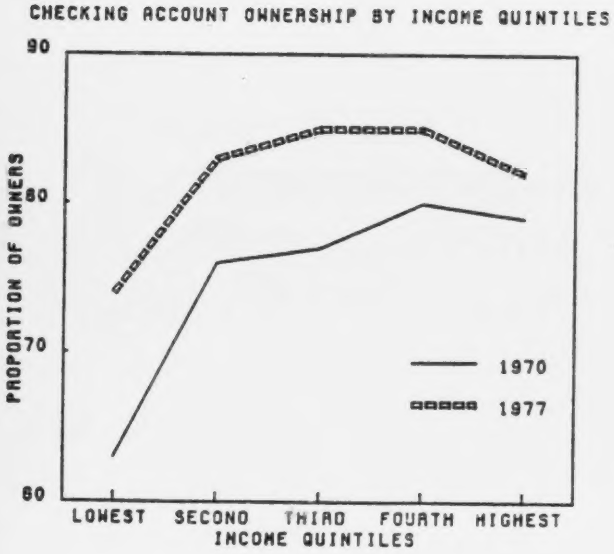


Chart 4

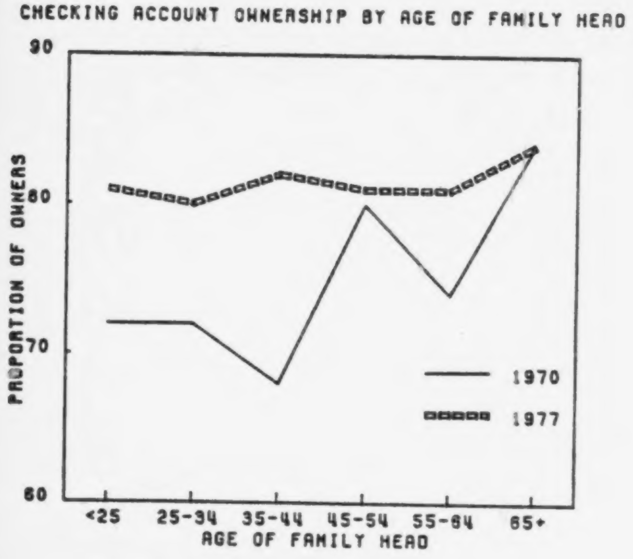


Chart 5

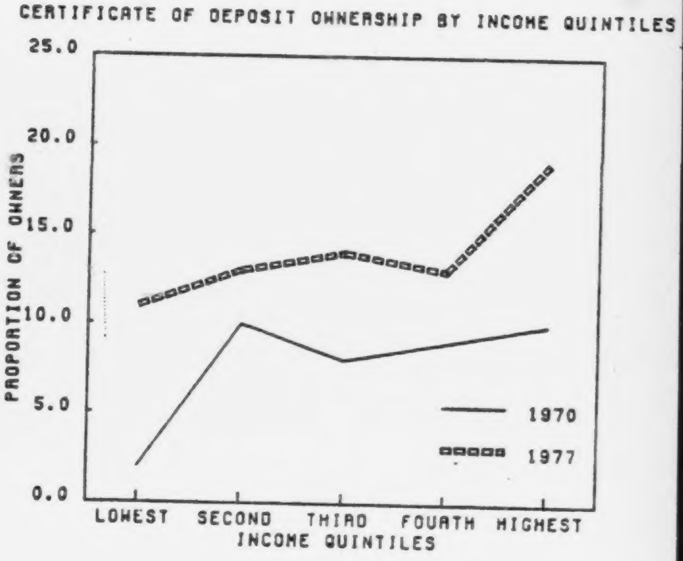


Chart 6

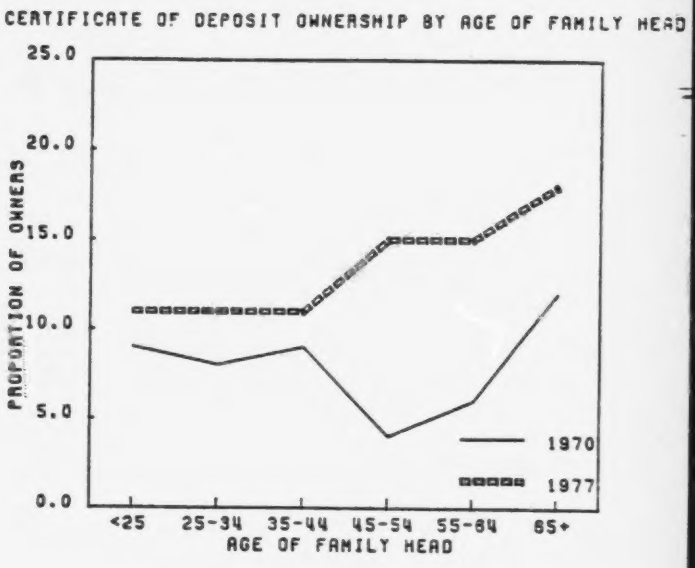


Chart 7

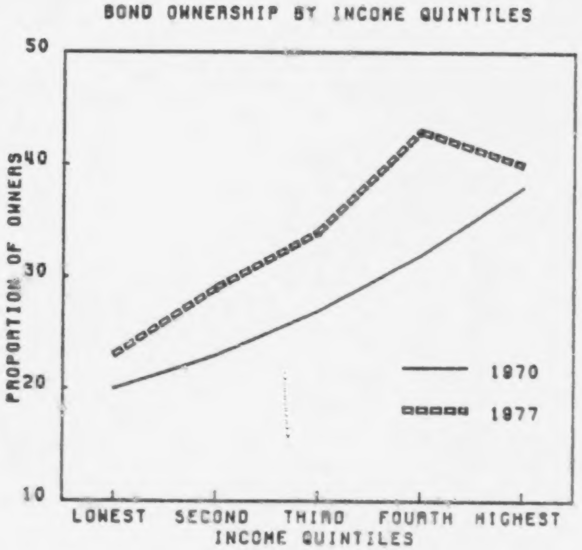

BOND OWNERSHIP BY INCOME QUINTILES

Chart 8

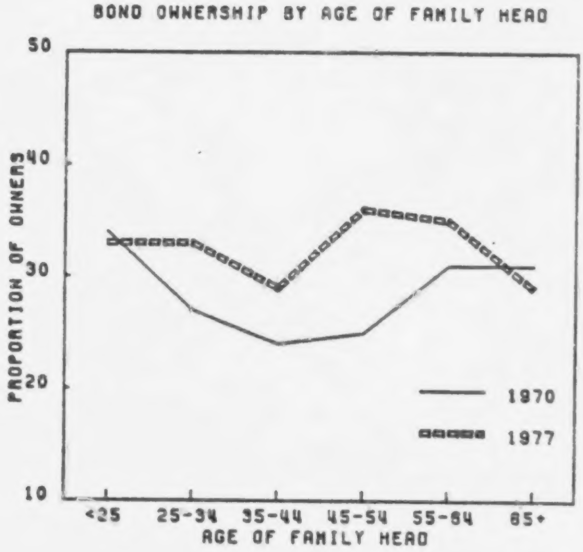

BOND OWNERSHIP BY AGE OF FAMILY HEAD

Chart 9

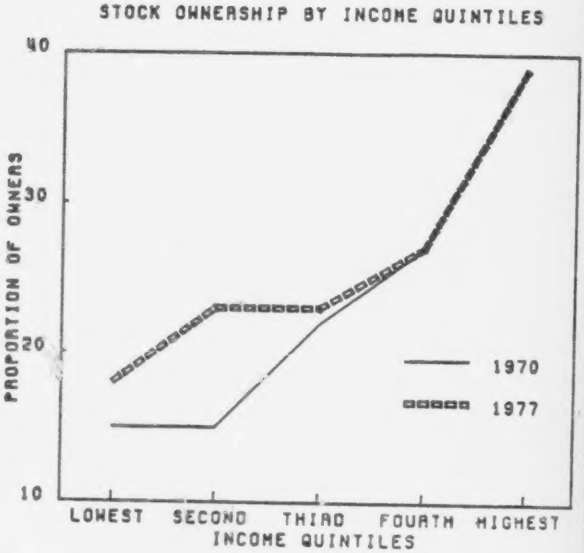
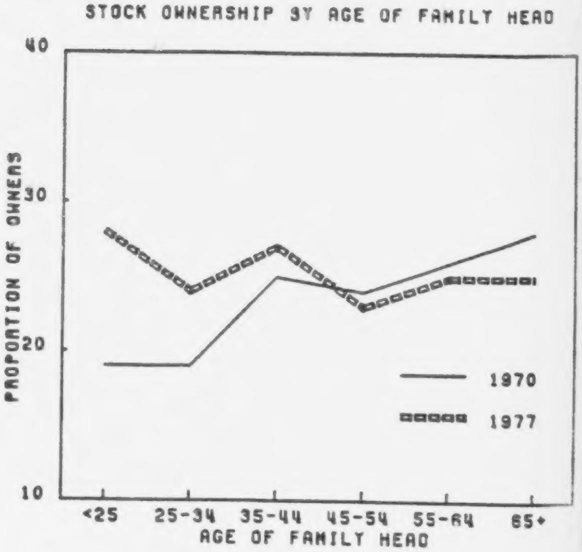

STOCK OWNERSHIP BY INCOME QUINTILES

Chart 10


STOCK OWNERSHIP BY AGE OF FAMILY HEAD

cards in the 1977 ranking of checking account ownership. Life cycle of the family head had the strongest multiple correlation with certificate of deposit ownership in 1970 and 1977. Income was the variable most strongly correlated with bond ownership in 1977, after adjusting for the effects of the other variables. In 1977, income held second place after ownership of stock in the relative ranking for bond ownership. Education and income were the top two ranked variables correlated with stock ownership in 1970 and 1977 (Tables 17b and 18b).

A significant shift among the variables' relationship with asset ownership would change the rank orderings between 1970 and 1977. Age and income declined in relative importance to asset ownership between 1970 and 1977, while education and ownership of other assets increased in their relative rankings. The table below compares the average ranking of income, age, education, and life cycle over the five different types of financial assets for 1970 and 1977. Only education improved in its relative ranking.

	Average Ranking	
	1970	1977
Income	2.0	3.8
Education	5.6	2.8
Age	5.2	8.2
Life cycle	3.4	5.1

The lessening of the importance of age and income for asset ownership is due to the increase in asset ownership among young and low-income families. Meanwhile, the differences in ownership among educational subgroups widened, accounting for the increased relative strength of the education variable. The results of the analysis were confirmed by a similar analysis of asset ownership with only income, age, life cycle, and education as independent variables.

In summary, multivariate analyses of asset holdings show the increased ownership of liquid assets among all subgroups. The bivariate relationship of the demographic variables, except age, with the general different forms of asset ownership were similar to their multivariate relationship. Since 1970, the growth in asset ownership among young and low-income families has narrowed the differences in asset ownership between age and income subgroups. The reduced importance of age and income for asset ownership may not be true, however, for their correlation with the dollar values of family asset holdings.

ASSETS TABLE 1

PROPORTION OF FAMILIES HOLDING SELECTED FINANCIAL ASSETS, 1951-1977

(Percentage distribution of families)

	1951	1960	1963	1968	1969	1970	1977
Savings accounts	47%	55%	56%	64%	62%	65%	77%
Certificates of deposit	a	a	a	5	5	8	14
Checking accounts	44	60	62	71	72	75	81
Bonds[a]	43	32	26	26	26	28	33
Stocks[c]	9	17	20	23	23	26	25
Number of family units (in millions)	46.3	53.5	56.2	61.2	62.5	63.7	74.1

---

[a] Not available.

[b] Up to and including 1968 only government savings bonds are included. The ownership of other bonds was so uncommon in earlier years that these data are therefore fairly comparable. In 1970 and 1977 only 2 percent of total families owned nongovernment bonds.

[c] Includes mutual funds and investment clubs.

Note: Percentages add up to more than one hundred since families may hold more than one type of financial asset.

Source: 1977, Table I-1.

ASSETS TABLE 2

LIQUID ASSET HOLDINGS[a]—SELECTED YEARS, 1963-79

(Percentage distribution of families)

Amount of Liquid Assets[b]	1963	1965	1968	1969	1970	1977
None	22%	20%	19%	19%	16%	10%
$1-199	15	17	15	14	14	13%
$200-499	14	11	12	12	12	10
$500-1,999	21	21	24	22	22	20
$2,000-4,999	14	14	13	15	15	15
$5,000-9,999	8	9	8	8	9	10%
$10,000 or more	7	8	9	10	12	22
Total[c]	100%	100%	100%	100%	100%	100%
Median amount of liquid assets (all families)	$490	$570	$650	$650	$800	$1675
Median liquid assets/median income preceding year	.084	.088	.087	.081	.092	.083
Median ratio of liquid assets/income	.060	-	-	-	.077	.129

---

[a] Liquid assets include savings accounts, certificates of deposit, checking accounts, an government savings bonds.

[b] Current dollars.

[c] Includes only families who reported the value of liquid assets.

Source: 1977, Table I-2.

ASSETS TABLE 3

VALUE OF TOTAL FINANCIAL ASSET[a] HOLDINGS BY INCOME, AGE, LIFE CYCLE, AND EDUCATION

(Percentage distribution of families)

	Value of Total Financial Asset Holdings								
	None[b]	Amount not Ascertained	$1 -499	$500 -1,999	$2,000 -9,999	$10,000 -19,999	$20,000 or more	Total	N
All families	10%	24%	16%	14%	17%	7%	12%	100%	2563
Total Family Income									
Less than $5,000	30	14	28	12	10	2	4	100%	343
$5,000-9,999	12	15	29	19	13	4	8	100%	441
$10,000-14,999	5	21	20	20	17	7	10	100%	446
$15,000-19,999	3	20	14	19	26	8	10	100%	342
$20,000-24,999	*	15	9	17	30	14	15	100%	262
$25,000 or more	1	24	2	6	19	13	35	100%	386
Age of Head									
Younger than 25	10	12	40	23	10	2	4	100%	225
25-34	10	14	24	22	20	5	5	100%	587
35-44	8	20	14	13	24	10	11	100%	402
45-54	7	26	11	11	19	9	17	100%	437
55-64	11	32	8	8	12	9	20	100%	429
65 or older	13	36	8	8	14	5	16	100%	472
Life Cycle of Head									
Under age 45									
Unmarried, no children	9	17	29	18	18	3	6	100%	221
Married, no children	4	16	21	22	20	8	9	100%	200
Married, youngest child under age 6	8	13	26	21	19	6	7	100%	406
Married, youngest child age 6 or older	5	24	11	16	26	9	9	100%	250
Age 45 or older									
Married, has children	9	24	11	14	19	6	19	100%	258
Married, no children, head in labor force	6	36	4	5	15	13	24	100%	362
Married, no children, head retired	9	43	6	7	11	8	18	100%	262
Unmarried, no children, head in labor force	9	35	13	15	20	4	6	100%	132
Unmarried, no children, head retired	13	34	14	8	10	5	16	100%	270
Any Age									
Unmarried, has children	27	13	30	15	9	4	2	100%	182
Education of Head									
8th grade or less	22	26	15	11	15	6	5	100%	450
Some high school	16	24	19	12	15	4	10	100%	406
High school graduate	5	27	18	15	17	6	12	100%	769
Some college	2	27	18	18	16	7	12	100%	484
College graduate	1	24	8	13	18	12	24	100%	430

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[a] Financial assets include deposits, bonds and stocks.

[b] Includes 'not ascertained' whether a family had financial assets.

*Less than 0.5 percent.

Source: 1977. Table I-18.

ASSETS TABLE 4

VALUE OF LIQUID ASSET[a] HOLDINGS BY INCOME, AGE, LIFE CYCLE. AND EDUCATION

(Percentage distribution of families)

	Liquid Asset Holdings							
	None[b]	Amount not ascertained	$1 -499	$500 -1,999	$2,000 -9,999	$10,000 -19,999	$20,000 or more	Total
All families	10%	20%	18%	16%	19%	8%	9%	100%
Total Family Income								
Less than $5,000	30	11	29	13	10	3	4	100%
$5,000-9,999	12	14	31	19	14	4	6	100%
$10,000-14,999	5	15	23	21	20	6	10	100%
$15,000-19,999	3	16	15	22	29	8	9	100%
$20,000-24,999	*	12	9	21	35	13	10	100%
$25,000 or more	1	18	3	7	26	19	26	100%
Age of Family Head								
Younger than 25	10	8	44	25	10	1	2	100%
25-34	10	10	27	24	21	4	4	100%
35-44	8	17	15	15	27	11	7	100%
45-54	7	23	11	13	23	10	13	100%
55-64	11	28	9	9	15	12	16	100%
65 or older	13	34	8	8	15	7	15	100%
Life Cycle of Family Head								
Under age 45								
Unmarried, no children	9	13	33	21	17	3	4	100%
Married, no children	4	12	24	25	22	7	6	100%
Married, youngest child under age 6	8	10	27	24	21	6	4	100%
Married, youngest child age 6 or older	5	20	13	18	30	9	7	100%
Age 45 or older								
Married, has children	9	20	11	17	22	9	12	100%
Married, no children, head in labor force	6	28	5	7	20	16	18	100%
Married, no children, head retired	9	37	6	7	14	10	17	100%
Unmarried, no children, head in labor force	9	30	15	16	21	2	9	100%
Unmarried, no children, head retired	15	29	16	8	12	5	15	100%
Any age								
Unmarried, has children	29	9	33	14	9	5	1	100%
Education of Family Head								
8th grade or less	25	20	16	11	16	7	5	100%
Some high school	17	20	21	13	16	4	9	100%
High school graduate	5	24	20	16	20	6	9	100%
Some college	3	22	19	21	19	7	9	100%
College graduate	1	18	8	15	27	14	17	100%

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[a] Liquid assets include deposits and bonds.

[b] Includes 'not ascertained' whether a family had liquid assets.

*Less than 0.5 percent.

Source: 1977, Table I-4.

Note: The number of cases in each group is reported in Assets Table 3.

ASSETS TABLE 5

MEDIAN LIQUID ASSETS AND THE RATIO OF LIQUID ASSETS TO INCOME BY INCOME, AGE, LIFE CYCLE, AND EDUCATION

	Median Liquid Assets		Percentage Change from 1979-1977		Median Ratio of Liquid Assets to Yearly Total Family Income		Percent Change
	1970	1977	Nominal	Real	1970	1977	
Family Income Quintiles							
Lowest	$ 88	$ 175	99%	41%	.037	.051	38%
Second	300	775	158	100	.050	.089	78
Third	510	1500	194	136	.056	.099	77
Fourth	1200	3375	181	123	.090	.161	79
Highest	3325	12000	261	203	.156	.326	109
Age of Family Head							
Younger than 25	250	375	50	-8	.038	.043	13
25-34	450	925	105	47	.036	.059	64
35-44	830	2250	171	113	.061	.120	97
45-54	1040	3562	243	185	.083	.194	134
55-64	2000	4312	116	58	.198	.325	64
65 or older	2400	3562	48	-10	.510	.613	20
Life Cycle of Family Head							
Under age 45							
Unmarried, no children	400	550	38	-20	.079	.074	-6
Married, no children	650	1612	148	90	.051	.092	80
Married, youngest child under age 6	500	938	88	30	.043	.058	35
Married, youngest child age 6 or older	865	3000	247	189	.055	.121	120
Age 45 or Older							
Married, has children	725	3200	341	183	.059	.149	153
Married, no children, head in labor force	3025	9625	218	160	.244	.395	62
Married, no children, head retired	3200	6000	88	30	.513	.740	44
Unmarried, no children, head in labor force	1125	1550	38	-20	.200	.185	-7
Unmarried, no children, head retired	1000	1525	53	-5	.410	.490	20
Any Age							
Unmarried, has children	0	175	*	*	.003	.020	566
Education of Family Head							
8th grade or less	255	550	116	58	.039	.086	121
Some high school	450	750	67	9	.050	.066	32
High school graduate	800	1700	113	55	.074	.115	55
Some college	900	1675	86	28	.099	.115	16
College graduate	2300	5250	118	60	.142	.260	83

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[a]Liquid assets include deposits and bonds; [b]In current dollars. Source: 1977, Table I-24.

ASSETS TABLE 6

VALUE OF LIQUID ASSETS AS A PROPORTION OF TOTAL FAMILY INCOME BY INCOME, AGE, LIFE CYCLE, AND EDUCATION

(Percentage distribution of families reporting both income and value of liquid assets)

	Liquid Asset/Income Ratio						
	No liquid assets[a]	Less than one-tenth	.10-.24	.25-.49	.50-.99	1.00 or more	Total
All families 1970	24%	30%	15%	11%	8%	12%	100%
All families 1977	17	27	17	14	10	15	100%
Total Family Income							
Less than $5,000	36	21	13	7	5	18	100%
$5,000-9,999	26	29	14	10	8	13	100%
$10,000-14,999	16	32	15	12	9	16	100%
$15,000-19,999	11	32	23	13	9	12	100%
$20,000-24,999	6	32	22	17	14	9	100%
$25,000 or more	2	18	21	25	16	18	100%
Age of Family Head							
Younger than 25	25	38	21	9	4	3	100%
25-34	20	41	19	11	6	3	100%
35-44	15	28	20	19	10	8	100%
45-54	12	24	19	18	11	16	100%
55-64	14	17	14	15	17	23	100%
65 or older	17	8	11	11	12	41	100%
Life Cycle of Family Head							
Under Age 45							
Unmarried, no children	20	33	21	13	7	6	100%
Married, no children	13	39	21	12	10	5	100%
Married, youngest child under age 6	20	42	18	10	6	4	100%
Married, youngest child age 6 or older	12	28	25	21	7	7	100%
Age 45 or Older							
Married, has children	16	26	19	14	11	14	100%
Married, no children, head in labor force	8	12	15	22	18	25	100%
Married, no children, head retired	14	9	9	12	13	43	100%
Unmarried, no children, head in labor force	11	25	21	16	13	14	100%
Unmarried, no children, head retired	18	16	9	7	11	39	100%
Any Age							
Unmarried, has children	41	31	13	8	4	3	100%
Education of Family Head							
8th Grade or less	32	20	12	9	9	18	100%
Some high school	31	23	13	11	9	13	100%
High school graduate	14	31	19	12	9	15	100%
Some college	10	35	18	17	8	12	100%
College graduate	3	23	23	21	15	15	100%

Source: 1977, Table I-25.

Note: The number of cases in each group is reported in Assets Table 3.

ASSETS TABLE 7

VALUE OF SAVINGS ACCOUNTS BY INCOME, AGE, LIFE CYCLE, AND EDUCATION
(Percentage distribution of families)

	Value of Savings Accounts						
	None[a]	Amount not ascertained	$1 -499	$500 -1,999	$2,000 -9,999	$10,000 or more	Total
All families	23%	15%	17%	13%	19%	13%	100%
Total Family Income							
Less than $5,000	51	7	17	9	10	6	100%
$5,000-9,999	33	8	24	13	15	7	100%
$10,000-14,999	19	11	25	17	17	13	100%
$15,000-19,999	11	9	24	20	24	12	100%
$20,000-24,999	9	8	14	22	36	11	100%
$25,000 and over	5	12	6	11	28	38	100%
Age of Family Head							
Younger than 25	27	3	44	15	9	2	100%
25-34	25	7	25	22	15	6	100%
35-44	18	12	16	17	25	12	100%
45-54	18	14	12	13	25	18	100%
55-64	23	20	10	6	19	22	100%
65 or older	28	24	5	7	18	18	100%
Life Cycle of Family Head							
Under Age 45							
Unmarried, no children	28	8	27	17	14	6	100%
Married, no children	19	6	22	23	21	9	100%
Married, youngest child under age 6	20	7	29	22	16	6	100%
Married, youngest child age 6 or older	15	12	18	19	26	10	100%
Age 45 or Older							
Married, has children	19	12	16	14	25	14	100%
Married, no children, head in labor force	16	22	5	7	23	27	100%
Married, no children, head retired	22	26	5	5	19	23	100%
Unmarried, no children, head in labor force	20	18	16	17	19	10	100%
Unmarried, no children, head retired	36	21	6	6	14	17	100%
Any Age							
Unmarried, has children	43	7	29	9	9	3	100%
Education of Family Head							
8th grade or less	42	14	12	9	13	10	100%
Some high school	31	13	18	10	17	11	100%
High school graduate	19	16	18	17	19	11	100%
Some college	16	13	22	16	20	13	100%
College graduate	10	12	13	14	28	23	100%

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[a] Includes 'not ascertained' whether family had savings.

Source: 1977, Table I-6.

ASSETS TABLE 8

NUMBER OF SAVINGS ACCOUNTS BY INCOME, AGE, EDUCATION, AND LIFE CYCLE

(Percentage distribution of families)

	Number of Savings Accounts						
	None[a]	1	2	3	4 or more	Number not ascertained	Total
All families	23%	31%	21%	12%	11%	2%	100%
Total Family Income							
Less than $5,000	51	34	10	3	1	1	100%
$5,000-9,999	33	36	19	9	3	*	100%
$10,000-14,999	19	41	21	10	8	1	100%
$15,000-19,999	11	33	28	14	14	*	100%
$20,000-24,999	9	27	28	14	21	1	100%
$25,000 and over	5	18	23	22	30	2	100%
Age of Family Head							
Younger than 25	27	45	19	7	1	1	100%
25-34	25	33	20	11	10	1	100%
35-44	18	28	20	12	21	1	100%
45-54	18	28	23	15	14	2	100%
55-64	23	30	22	12	11	2	100%
65 or older	28	31	23	9	7	2	100%
Life Cycle of Family Head							
Under Age 45							
Unmarried, no children	28	47	21	2	2	*	100%
Married, no children	19	36	23	15	6	1	100%
Married, youngest child under age 6	20	30	21	13	15	1	100%
Married, youngest child age 6 or older	15	24	20	14	25	2	100%
Age 45 or Older							
Married, has children	19	26	19	16	18	2	100%
Married, no children, head in labor force	16	26	27	16	14	1	100%
Married, no children, head retired	22	34	25	12	6	1	100%
Unmarried, no children, head in labor force	20	46	23	4	4	3	100%
Unmarried, no children, head retired	36	26	18	8	9	3	100%
Any Age							
Unmarried, has children	43						
Education of Family Head							
8th grade or less	42	34	15	5	3	1	100%
Some high school	31	33	21	7	6	2	100%
High school graduate	19	30	25	12	12	2	100%
Some college	16	34	23	13	12	2	100%
College graduate	10	25	20	19	23	3	100%

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[a] Includes 'not ascertained' whether family had savings.

Source: 1977, Table I-19.

ASSETS TABLE 9

NUMBER OF CHECKING ACCOUNTS BY INCOME, AGE, EDUCATION, AND LIFE CYCLE

(Percentage distribution of families)

	Number of Checking Accounts					
	None[a]	1	2	3 or more	Number not ascertained	Total
All families	19	60%	16%	5%	*	100%
Total Family Income						
Less than $5,000	45	48	5	1	1	100%
$5,000-9,999	27	62	11	*	*	100%
$10,000-14,999	14	70	13	3	*	100%
$15,000-19,999	11	67	17	5	*	100%
$20,000-24,999	4	64	23	9	*	100%
$25,000 and over	2	47	34	16	1	100%
Age of Family Head						
Younger than 25	27	61	11	1	*	100%
25-34	18	64	15	3	*	100%
35-44	13	57	22	8	*	100%
45-54	15	53	19	12	*	100%
55-64	19	59	16	6	*	100%
65 or older	23	63	11	3	*	100%
Life Cycle of Family Head						
Under Age 45						
Unmarried, no children	23	66	9	2	*	100%
Married, no children	12	64	17	6	1	100%
Married, youngest child under age 6	16	64	17	3	*	100%
Married, youngest child age 6 or older	9	57	24	9	1	100%
Age 45 or Older						
Married, has children	16	50	22	11	1	100%
Married, no children, head in labor force	11	60	19	9	1	100%
Married, no children, head retired	19	62	16	3	*	100%
Unmarried, no children, head in labor force	25	61	10	4	*	100%
Unmarried, no children, head retired	26	65	7	1	1	100%
Any Age						
Unmarried, has children	44	41	11	4	*	100%
Education of Family Head						
8th grade or less	38	53	8	1	*	100%
Some high school	31	59	9	1	*	100%
High school graduate	13	63	17	6	1	100%
Some college	10	65	19	5	1	100%
College graduate	4	51	26	12	1	100%

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*Less than 0.5%.

[a] Includes 'not ascertained' whether family had a checking account.

Source: 1977. Table I-20.

ASSETS TABLE 10

VALUE OF CHECKING ACCOUNTS, BY INCOME, AGE, LIFE CYCLE, AND EDUCATION

(Percentage distribution of families)

	Value of Checking Accounts							
	None[a]	Amount not ascertained	$1 -99	$100 -249	$250 -499	$500 -1,999	$2,000 & over	Total
All families	19%	11%	13%	14%	14%	20%	9%	100%
Total Family Income								
Less than $5,000	45	5	14	14	10	8	4	100%
$5,000-9,999	27	5	18	15	14	16	5	100%
$10,000-14,999	14	6	18	20	16	19	7	100%
$15,000-19,999	11	6	16	16	19	23	9	100%
$20,000-24,999	4	4	10	19	21	31	11	100%
$25,000 and over	2	10	7	7	9	40	25	100%
Age of Family Head								
Younger than 25	27	4	23	20	14	9	2	100%
25-34	18	3	21	20	17	16	5	100%
35-44	13	9	13	13	18	22	12	100%
45-54	15	13	12	10	11	28	11	100%
55-64	19	17	6	10	11	25	12	100%
65 and older	23	18	7	9	10	20	13	100%
Life Cycle of Family Head								
Under Age 45								
Unmarried, no children	23	5	20	21	16	10	5	100%
Married, no children	12	7	17	20	18	21	5	100%
Married, youngest child under age 6	16	3	22	20	16	17	6	100%
Married, youngest child age 6 or older	9	10	10	14	21	23	13	100%
Age 45 or Older								
Married, has children	16	12	12	10	12	27	11	100%
Married, no children, head in labor force	11	16	7	8	10	30	18	100%
Married, no children, head retired	19	22	7	12	9	21	10	100%
Unmarried, no children, head in labor force	25	18	7	12	12	21	5	100%
Unmarried, no children, head retired	26	13	9	9	11	19	13	100%
Any Age								
Unmarried, has children	44	5	18	12	6	7	2	100%
Education of Family Head								
0-8 grades	38	12	11	10	9	14	6	100%
Some high school	31	10	12	12	11	16	8	100%
High school graduate	13	12	15	14	15	20	11	100%
Some college	10	14	17	16	15	20	8	100%
College graduate	4	8	8	15	15	34	16	100%

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[a] Includes 'not ascertained' whether family had a checking account.

Source: 1977. Table I-5.

ASSETS TABLE 11

CERTIFICATES OF DEPOSIT HOLDINGS BY INCOME, AGE, LIFE CYCLE, AND EDUCATION -- 1970 AND 1977

(Percentage distribution of families)

	Holdings of Certificates 1970	Holdings of Certificates 1977	
	Any	Any	Value more than $10,000
All families	8%	14%	5%
Total Family Income			
Less than $5,000	7	7	2
$5,000-9,999	7	9	3
$10,000-14,999	7	13	5
$15,000-19,999	13	12	5
$20,000-24,999		15	4
$25,000 and over		26	11
Age of Family Head			
Less than 25	2	2	1
25-34	3	6	2
35-44	5	9	3
45-54	7	18	6
55-64	11	19	7
65 or older	17	23	9
Life Cycle of Family Head			
Under Age 45			
Unmarried, no children	4	4	1
Married, no children	7	9	3
Married, youngest child under age 6	2	5	1
Married, youngest child age 6 or older	6	10	2
Age 45 or Older			
Married, has children	7	14	6
Married, no children, head in labor force	11	23	8
Married, no children, head retired	19	24	7
Unmarried, no children, head in labor force	14	17	5
Unmarried, no children, head retired	13	23	10
Any Age			
Unmarried, has children	*	5	1
Education of Head			
0-8 grades	8	8	3
Some high school	4	12	4
High school graduate	7	14	4
Some college	9	12	4
College graduate	12	21	8

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*Less than 0.5 percent.

Source: 1977, Table I-8.

ASSETS TABLE 12

VALUE OF BOND[a] HOLDINGS BY INCOME, AGE, EDUCATION, AND LIFE CYCLE

(Percentage distribution of families)

	Value of Bond Holdings					
	None[b]	Amount not Ascertained	$1 -999	$1,000 -4,999	$5,000 or more	Total
All families	67%	6%	17%	6%	4%	100%
Total Family Income						
Less than $5,000	89	3	5	2	1	100%
$5,000-9,999	78	3	14	2	3	100%
$10,000-14,999	69	5	18	6	2	100%
$15,000-19,999	56	5	29	7	3	100%
$20,000-24,999	53	4	27	8	8	100%
$25,000 or more	48	9	23	11	9	100%
Age of Family Head						
Younger than 25	74	2	21	1	2	100%
25-34	66	4	26	3	1	100%
35-44	65	5	22	7	1	100%
45-54	60	8	17	9	6	100%
55-64	65	9	11	9	6	100%
65 or older	77	8	5	4	6	100%
Life Cycle of Family Head						
Under Age 45						
Unmarried, no children	75	4	18	2	1	100%
Married, no children	62	3	30	3	2	100%
Married, youngest child under age 6	63	3	29	4	1	100%
Married, youngest child age 6 or older	61	7	23	7	2	100%
Age 45 or older						
Married, has children	62	6	21	6	5	100%
Married, no children, head in labor force	59	11	11	12	7	100%
Married, no children, head retired	72	11	6	5	6	100%
Unmarried, no children, head in labor force	69	12	14	4	1	100%
Unmarried, no children, head retired	79	5	4	5	7	100%
Any Age						
Unmarried, has children	82	1	13	3	1	100%
Education of Family Head						
8th grade or less	86	4	6	3	1	100%
Some high school	75	5	13	6	1	100%
High school graduate	62	8	19	7	4	100%
Some college	62	7	21	5	5	100%
College graduate	54	7	25	7	7	100%

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[a] Includes U.S. government savings bonds, other federal government bonds, state or municipal bonds and corporate bonds.

[b] Includes 'not ascertained' whether family own bonds.

*Less than 0.5%.

Source: 1977, Table I-16.

ASSETS TABLE 13

VALUE OF STOCK[a] HOLDINGS BY INCOME, AGE, EDUCATION, AND LIFE CYCLE

(Percentage distribution of families)

	Value of Stock Holdings					
	None[b]	Amount not Ascertained	$1 -999	$1,000 -4,999	$5,000 or more	Total
All families	75%	6%	5%	5%	9%	100%
Total Family Income						
Less than $5,000	94	1	2	2	1	100%
$5,000-9,999	85	4	4	3	4	100%
$10,000-14,999	79	6	4	5	6	100%
$15,000-19,999	75	6	7	6	6	100%
$20,000-24,999	68	5	7	7	13	100%
$25,000 or more	46	8	7	11	28	100%
Age of Family Head						
Younger than 25	85	6	4	1	4	100%
25-34	80	3	7	6	4	100%
35-44	73	6	6	5	10	100%
45-54	69	8	6	6	11	100%
55-64	70	8	3	6	13	100%
65 or older	77	7	2	4	10	100%
Life Cycle of Family Head						
Under Age 45						
Unmarried, no children	77	7	7	4	5	100%
Married, no children	77	5	5	7	6	100%
Married, youngest child under age 6	78	4	7	5	6	100%
Married, youngest child age 6 or older	74	7	7	4	8	100%
Age 45 or Older						
Married, has children	70	6	5	6	13	100%
Married, no children, head in labor force	62	9	5	7	17	100%
Married, no children, head retired	76	8	3	4	9	100%
Unmarried, no children, head in labor force	78	9	5	5	3	100%
Unmarried, no children, head retired	79	7	1	4	9	100%
Any Age						
Unmarried, has children	93	3	*	3	1	100%
Education of Head						
8th grade or less	91	3	1	3	2	100%
Some high school	87	3	3	3	4	100%
High school graduate	77	6	6	4	7	100%
Some college	71	7	5	6	11	100%
College graduate	51	10	7	11	21	100%

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[a] Includes common or preferred corporate stock, shares in mutual funds and stock through investment clubs.

[b] Includes 'not ascertained' whether family owned stock.

* Less than 0.5%.

ASSETS TABLE 14

HOME OWNERSHIP AND HOUSE VALUES BY INCOME, AGE, LIFE CYCLE, AND EDUCATION

	Own home[a]		Median House Value (000's)		Nominal Percentage Change
	1970	1977	1970	1977	1970-1977
All families	62%	64%	$17.8	$38.0	113%
Family Income Quintile					
Lowest	45	40	10.0	22.5	125
Second	46	52	13.0	28.5	119
Third	63	63	15.0	33.0	120
Fourth	74	78	19.0	40.0	110
Highest	83	90	26.7	55.0	106
Age of Family Head					
Younger than 25	12	13	14.7	30.0	104
25-34	48	51	17.7	35.0	98
35-44	72	75	20.0	42.8	110
45-54	74	79	18.2	42.5	131
55-64	77	75	17.5	36.0	106
65 or older	71	74	14.3	30.0	110
Life Cycle of Family Head					
Under age 45					
Unmarried, no children	14	14	16.3	30.0	84
Married, no children	31	44	16.7	38.3	129
Married, youngest child under age 6	58	65	19.1	37.5	96
Married, youngest child age 6 or older	79	82	19.0	40.0	111
Age 45 or Older					
Married, has children	79	85	18.5	40.0	116
Married, no children, head in labor force	81	84	20.0	40.0	100
Married, no children, head retired	82	83	15.0	35.0	133
Unmarried, no children, head in labor force	58	56	15.0	30.0	100
Unmarried, no children, head retired	62	64	12.5	27.0	116
Any Age					
Unmarried, has children	35	41	13.5	33.0	144
Education of Family Head					
8th grade or less	60	65	12.0	25.0	108
Some high school	64	61	14.5	30.0	107
High school graduate	65	66	18.0	35.0	94
Some college	55	59	20.1	40.0	99
College graduate	65	70	30.0	52.0	73

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[a] Includes non-farm owner-occupied homes; not trailers; Source: 1977, Table C-26.

ASSET TABLE 15

REAL ESTATE[a] OWNERSHIP
TYPE OF REAL ESTATE

(Percentage Distribution of Families)

			Type of Real Estate[b]					
	Do not own real estate	Own real estate	Lots only	Seasonal residence	Rental property	Business property	Other	Total
All families	79%	21%	11%	2%	7%	2%	2%	100%
Total Family Income								
Less than $5,000	92	8	5	1	2	1	1	100%
$5,000-9,999	85	15	8	1	5	1	1	100%
$10,000-14,999	84	16	9	1	6	2	1	100%
$15,000-19,999	80	20	10	1	7	1	1	100%
$20,000-24,999	73	27	15	3	9	1	2	100%
$25,000 or more	54	46	23	7	10	7	5	100%
Age of Family Head								
Younger than 25	94	6	4	*	1	*	1	100%
25-34	84	16	9	1	4	2	1	100%
35-44	71	29	16	2	8	3	3	100%
45-54	72	28	14	4	10	2	2	100%
55-64	72	28	14	4	9	3	2	100%
65 or older	82	18	9	2	7	2	1	100%
Life Cycle Stage of Head								
Under age 45								
Unmarried, no children	87	13	5	2	4	1	1	100%
Married, no children	83	17	11	*	5	3	1	100%
Married, youngest child under age 6	81	19	10	2	5	1	2	100%
Married, youngest child age 6 or older	70	30	18	2	7	4	3	100%
Age 45 or older								
Married, has children	75	25	12	5	7	3	3	100%
Married, no children head in labor force	65	35	17	4	13	4	3	100%
Married, no children, head retired	80	20	12	2	6	1	2	100%
Unmarried, no children, head in labor force	78	22	7	4	9	1	2	100%
Unmarried, no children, head retired	84	16	7	1	7	2	*	100%
Any Age								
Unmarried, has children	92	8	5	*	3	1	1	100%
Education of Family Head								
8th Grade or less	85	15	6	2	6	1	2	100%
Some high school	87	13	7	1	3	2	2	100%
High school graduate	79	21	11	2	6	3	1	100%
Some college	75	25	12	2	10	2	3	100%
College graduate	66	34	19	6	10	3	2	100%

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[a] Ownership of owner-occupied single family homes is not included under real estate ownership.

[b] Sum of components may exceed total real estate owners because some families own more than one type of real estate.

* Less than 0.5%.

Source: 1977, Table I-21.

ASSETS TABLE 16

VALUE OF REAL ESTATE[a] HOLDINGS EXCLUDING OWNER-OCCUPIED HOMES BY INCOME, AGE, EDUCATION, AND LIFE CYCLE

(Percentage distribution of families)

	Value of Real Estate Holdings							
	No real Estate	Less than $10,000	Less than $20,000	$20,000 -49,999	$50,000 or more	Value not ascer-tained	Total	Median value[b]
All families	79%	5%	3%	5%	5%	3%	100%	$20,000
Total Family Income								
Less than $5,000	92	2	2	1	2	1	100%	11,000
$5,000-9,999	85	6	2	3	2	2	100%	12,000
$10,000-14,999	84	5	2	5	3	1	100%	20,000
$15,000-19,999	80	5	4	3	4	2	100%	20,000
$20,000-24,999	73	9	4	10	4	*	100%	21,000
$25,000 and over	54	7	8	6	20	5	100%	46,750
Age of Family Head								
Younger than 25	94	2	1	1	1	1	100%	11,750
25-34	84	4	3	4	4	1	100%	20,000
35-44	71	8	5	6	7	3	100%	19,250
45-54	72	5	5	5	8	5	100%	25,000
55-64	72	8	4	6	8	2	100%	25,000
65 and older	82	3	3	4	3	5	100%	22,500
Life Cycle of Family Head								
Under Age 45								
Unmarried, no children	87	4	1	4	3	1	100%	25,750
Married, no children	83	5	2	3	5	2	100%	25,000
Married, youngest child under age 6	81	5	2	5	5	2	100%	22,500
Married, youngest child age 6 or older	70	8	8	5	6	3	100%	15,000
Age 45 or Older								
Married, has children	75	9	4	4	5	3	100%	15,000
Married, no children, head in labor force	65	7	5	8	11	4	100%	28,000
Married, no children, head retired	80	6	2	4	4	4	100%	20,000
Unmarried, no children, head in labor force	78	3	4	4	6	5	100%	31,250
Unmarried, no children, head retired	84	2	3	3	3	5	100%	30,000
Any Age								
Unmarried, has children	92	2	3	2	1	*	100%	15,000
Education of Family Head								
8th grade or less	85	4	3	3	2	3	100%	16,500
Some high school	87	5	2	2	2	2	100%	9,000
High school graduate	79	6	3	4	4	4	100%	15,000
Some college	75	5	4	7	6	3	100%	25,000
College graduate	66	5	5	7	13	4	100%	40,000

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*Less than 0.5%.

[a] Ownership of owner-occupied single-family homes is not included under real estate ownership.

[b] For real estate owners only.

ASSET TABLE 17a

MULTIPLE CLASSIFICATION ANALYSIS OF ASSET OWNERSHIP

	# cases		Proportion of Families Owning Savings				Proportion of Families Owning Checking				Proportion of Families Owning Certificates of Deposit			
			1970		1977		1970		1977		1970		1977	
	1970	1977	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean
All families	2576	2563	.65	.65	.77	.77	.75	.75	.81	.81	.08	.08	.14	.14
Total Family Income Quintiles														
Lowest	512	454	.45	.49	.52	.61	.50	.63	.57	.74	.05	.02	.07	.11
Second	514	432	.54	.59	.72	.75	.68	.76	.77	.83	.09	.10	.11	.13
Third	520	541	.65	.66	.83	.82	.77	.77	.88	.85	.05	.08	.12	.14
Fourth	515	407	.76	.75	.92	.86	.86	.80	.94	.85	.07	.09	.13	.13
Highest	515	386	.88	.79	.95	.83	.94	.79	.98	.82	.12	.10	.26	.19
Education of Family Head														
0-8 grades	596	450	.46	.58	.58	.70	.53	.68	.62	.71	.07	.07	.08	.08
9-11 grades	449	406	.59	.64	.69	.75	.66	.69	.69	.75	.04	.05	.12	.14
High school graduate	756	769	.71	.68	.81	.78	.81	.78	.87	.85	.07	.08	.14	.15
Some college	412	484	.75	.71	.84	.81	.89	.86	.90	.87	.09	.10	.12	.13
College graduate	347	430	.83	.67	.90	.79	.96	.85	.96	.87	.12	.08	.21	.17
Age of Family Head														
Under age 25	257	225	.60	.62	.73	.83	.70	.72	.73	.81	.02	.09	.02	.11
25-34	471	587	.65	.58	.75	.73	.80	.72	.82	.80	.02	.08	.06	.11
35-44	488	402	.65	.56	.82	.76	.78	.68	.87	.82	.05	.09	.09	.11
45-54	514	437	.68	.70	.82	.76	.79	.80	.85	.81	.07	.04	.18	.15
55-64	426	429	.67	.70	.77	.75	.70	.74	.81	.81	.11	.06	.19	.15
65 and older	420	472	.65	.76	.72	.80	.71	.84	.77	.84	.17	.12	.23	.18
Life Cycle of Family Head														
Under Age 45														
Unmarried, no children	170	221	.67	.83	.72	.78	.71	.82	.77	.82	.04	.04	.04	.08
Married, no children	183	200	.73	.76	.81	.76	.85	.85	.88	.83	.06	.06	.08	.10
Married, youngest child under age 6	169	406	.65	.67	.80	.78	.81	.80	.84	.80	.02	.01	.05	.07
Married, youngest child age 6 or older	496	250	.67	.65	.85	.78	.86	.84	.91	.82	.06	.04	.10	.11

ASSET TABLE 17a (cont'd)

	# cases		Proportion of Families Owning Savings				Proportion of Families Owning Checking				Proportion of Families Owning Certificates of Deposit			
			1970		1977		1970		1977		1970		1977	
	1970	1977	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean
Life Cycle of Family Head (cont'd)														
Age 45 or Older														
Married, has children	261	258	.62	.52	.81	.77	.75	.68	.84	.79	.06	.09	.14	.11
Married, no children, head in labor force	324	362	.76	.61	.84	.76	.80	.70	.89	.83	.11	.10	.23	.16
Married, no children, head retired	380	262	.68	.65	.78	.80	.75	.74	.81	.85	.19	.15	.24	.22
Unmarried, no children, head in labor force	246	132	.76	.66	.80	.85	.74	.74	.75	.80	.14	.15	.17	.15
Unmarried, no children, head retired	150	270	.68	.68	.64	.73	.62	.74	.74	.86	.13	.13	.23	.22
Any Age														
Unmarried, has children	197	182	.41	.64	.57	.73	.39	.58	.56	.68	0	.05	.05	.13
Home Ownership														
Owns home	1607	1638	.73	.69	.84	.79	.83	.80	.89	.85	.10	.08	.17	.14
Doesn't own home	969	925	.53	.60	.65	.73	.61	.67	.68	.75	.04	.07	.07	.13
Savings Account														
Owns savings	1687	1971	--	--	--	--	.85	.69	.89	.85	.10	.08	.17	.15
Doesn't own savings	889	592	--	--	--	--	.57	.78	.57	.70	.04	.08	.02	.08
Checking Account														
Owns checking	1934	2086	.74	.68	.83	.80	--	--	--	--	.10	.09	.16	.14
Doesn't own checking	642	477	.40	.57	.46	.61	--	--	--	--	.04	.04	.02	.10
Certificates of Deposit														
Owns certificates of deposit	198	348	.83	.66	.96	.85	.73	.74	.96	.85	--	--	--	--
Doesn't own certificates of deposit	2378	2215	.64	.66	.74	.76	.96	.84	.75	.81	--	--	--	--

ASSET TABLE 17a (cont'd)

	# cases		Proportion of Families Owning Savings				Proportion of Families Owning Checking				Proportion of Families Owning Certificates of Deposit			
			1970		1977		1970		1977		1970		1977	
	1970	1977	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean
Bond Holdings														
Owns bonds	726	839	.84	.74	.92	.83	.89	.78	.92	.82	.13	.11	.21	.17
Doesn't own bonds	1850	1724	.58	.62	.70	.74	.70	.74	.76	.81	.05	.06	.10	.12
Stock Holdings														
Owns stock	610	.634	.88	.71	.94	.80	.95	.77	.96	.83	.17	.13	.28	.21
Doesn't own stock	1966	1929	.59	.64	.71	.76	.69	.74	.76	.81	.05	.06	.09	.11
Other Real Estate														
Owns other real estate	520	550	.78	.68	.88	.77	.89	.81	.96	.86	.13	.10	.23	.16
Doesn't own real estate	2056	2013	.62	.65	.74	.77	.71	.74	.77	.80	.06	.07	.11	.13
Installment Debt														
Has installment debt	1265	1198	.62	.62	.78	.75	.76	.76	.85	.83	.02	.05	.08	.10
Doesn't have installment debt	1311	1365	.68	.69	.76	.79	.74	.74	.78	.80	.13	.11	.18	.16
Credit Card Use														
Uses credit cards	1304	1531	.78	.70	.87	.80	.90	.81	.94	.87	.08	.06	.17	.14
Doesn't use credit cards	1272	1032	.53	.61	.62	.72	.60	.69	.63	.72	.07	.09	.09	.13

ASSETS TABLE 17b

SUMMARY STATISTICS FOR THE MULTIPLE CLASSIFICATION ANALYSIS OF ASSET HOLDINGS

Predictors	Own Savings				Own Checking				Own Certificates of Deposit			
	1970		1977		1970		1977		1970		1977	
	Eta	Beta	Eta	Beta	Eta	Beta	Eta	Beta	Eta	Beta	Eta	Beta
Family income quintiles	.319	.226 (1)	.346	.182 (1)	.352	.142 (3)	.351	.106 (6)	.101	.103 (4)	.163	.070 (8)
Education of family head	.259	.095 (6)	.252	.085 (5)	.355	.213 (1)	.323	.176 (2)	.092	.055 (8)	.114	.085 (4)
Age of family head	.046	.153 (3)	.096	.073 (9)	.096	.130 (6)	.106	.030 (10)	.193	.090 (5)	.219	.078 (6)
Life cycle of family head	.171	.158 (2)	.192	.075 (7)	.260	.166 (2)	.227	.111 (5)	.206	.178 (1)	.232	.155 (1)
Own home	.203	.088 (8)	.211	.075 (8)	.247	.141 (5)	.252	.113 (4)	.110	.019 (11)	.151	.021 (11)
Own savings	--	--	--	--	.305	.098 (7)	.347	.162 (3)	.108	.000 (12)	.185	.084 (5)
Own checking	.305	.108 (5)	.347	.175 (2)	--	--	--	--	.142	.073 (7)	.154	.047 (9)
Own certificates of deposit	.108	.000 (12)	.185	.077 (6)	.143	.058 (9)	.154	.039 (9)	--	--	--	--
Own bonds	.244	.110 (4)	.244	.096 (3)	.413	.048 (10)	.192	.015 (12)	.143	.076 (6)	.158	.070 (7)
Own stock	.262	.067 (10)	.228	.046 (11)	.255	.031 (11)	.223	.025 (11)	.199	.121 (2)	.248	.133 (2)
Use credit card	.263	.090 (7)	.296	.087 (4)	.345	.142 (4)	.390	.189 (1)	.017	.047 (9)	.114	.005 (12)
Have installment debt	.063	.075 (9)	.024	.051 (10)	.460	.013 (12)	.096	.043 (8)	.196	.117 (3)	.152	.091 (3)
Own real estate	.129	.023 (11)	.135	.001 (12)	.164	.067 (8)	.194	.067 (7)	.102	.039 (10)	.142	.045 (10)
Multiple R-squared (adjusted)		.217		.225		.289		.282		.112		.147
Cases	2576		2563		2576		2563		2576		2563	

ASSETS TABLE 18a

MULTIPLE CLASSIFICATION ANALYSIS OF ASSET OWNERSHIP

	# of cases		Proportion of Families Owning Bonds				Proportion of Families Owning Stocks			
			1970		1977		1970		1977	
	1970	1977	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean
All families	2576	2563	.28	.28	.33	.33	.24	.24	.25	.25
Total Family Income Quintiles										
Lowest	512	454	.14	.20	.11	.23	.09	.15	.07	.18
Second	514	432	.20	.23	.25	.29	.11	.15	.18	.23
Third	520	541	.26	.27	.35	.34	.19	.22	.22	.23
Fourth	515	407	.35	.32	.48	.43	.28	.27	.31	.27
Highest	515	386	.46	.38	.53	.40	.51	.39	.54	.39
Education of Family Head										
0-8 grades	596	450	.18	.28	.14	.24	.08	.15	.09	.16
9-11 grades	449	406	.23	.28	.25	.30	.14	.19	.13	.19
High school graduate	756	769	.32	.30	.38	.36	.23	.21	.24	.23
Some college	412	484	.30	.26	.38	.36	.31	.30	.29	.28
College degree	347	430	.42	.28	.46	.36	.55	.42	.48	.38
Age of Family Head										
Under age 25	257	225	.24	.34	.27	.33	.13	.19	.15	.28
25-34	471	587	.28	.27	.35	.33	.22	.19	.20	.24
35-44	488	402	.29	.24	.35	.29	.28	.25	.27	.27
45-54	514	437	.28	.25	.40	.36	.25	.24	.31	.23
55-64	426	429	.31	.31	.34	.35	.25	.26	.30	.25
65 and older	420	472	.27	.31	.22	.29	.24	.28	.22	.25
Life Cycle of Family Head										
Under Age 45										
Unmarried, no children	170	221	.20	.26	.25	.31	.17	.23	.23	.27
Married, no children	183	200	.24	.21	.38	.36	.24	.21	.23	.20
Married, youngest child under age 6	169	406	.32	.32	.37	.34	.26	.27	.22	.22
Married, youngest child age 6 or older	496	250	.33	.31	.40	.35	.27	.21	.26	.18

ASSETS TABLE 18a (cont'd)

	# of cases		Proportion of Families Owning Bonds				Proportion of Families Owning Stocks			
			1970		1977		1970		1977	
	1970	1977	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean
Life Cycle of Family Head (cont'd)										
Age 45 or Older										
Married, has children	261	258	.27	.26	.38	.31	.22	.18	.30	.27
Married, no children, head in labor force	324	362	.35	.28	.41	.32	.32	.23	.38	.30
Married, no children, head retired	380	262	.30	.27	.28	.34	.27	.29	.24	.27
Unmarried, no children, head in labor force	246	132	.27	.28	.31	.33	.23	.24	.22	.26
Unmarried, no children, head retired	150	270	.19	.24	.21	.33	.18	.26	.21	.29
Any Age										
Unmarried, has children	197	182	.18	.33	.18	.29	.06	.23	.07	.20
Home Ownership										
Owns home	1607	1638	.33	.30	.38	.35	.29	.24	.30	.26
Doesn't own home	969	925	.19	.26	.23	.30	.14	.23	.14	.22
Savings Account										
Owns savings	1687	1971	.36	.32	.39	.35	.32	.26	.30	.26
Doesn't own savings	889	592	.13	.21	.12	.24	.08	.20	.08	.21
Checking Account										
Owns checking	1934	2086	.33	.30	.37	.33	.30	.24	.29	.25
Doesn't own checking	642	477	.12	.23	.14	.31	.48	.21	.05	.22
Certificates of Deposit										
Owns certificates of deposit	198	348	.26	.27	.51	.41	.53	.39	.51	.38
Doesn't own certificates of deposit	2378	2215	.50	.40	.30	.31	.21	.22	.24	.23

ASSETS TABLE 18a (cont'd)

	# of cases		Proportion of Families Owning Bonds				Proportion of Families Owning Stocks			
			1970		1977		1970		1977	
	1970	1977	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean	Reported Mean	Adjusted Mean
Bond Holdings										
Owns bonds	726	839	--	--	--	--	.41	.31	.41	.33
Doesn't own bonds	1850	1724	--	--	--	--	.17	.21	.17	.21
Stock Holdings										
Owns stock	610	634	.48	.38	.59	.54	--	--	--	--
Doesn't own stock	1966	1929	.22	.25	.26	.29	--	--	--	--
Other Real Estate										
Owns other real estate	520	550	.35	.27	.44	.34	.38	.29	.44	.33
Doesn't own real estate	2056	2013	.26	.28	.30	.32	.20	.22	.19	.22
Installment Debt										
Has installment debt	1265	1198	.25	.25	.35	.33	.19	.20	.22	.21
Doesn't have intallment debt	1311	1365	.31	.31	.31	.33	.28	.27	.27	.27
Credit Card Use										
Uses credit cards	1304	1531	.36	.25	.40	.32	.35	.27	.34	.27
Doesn't use credit cards	1272	1037	.20	.31	.22	.33	.12	.20	.12	.21

ASSETS TABLE 18b

SUMMARY STATISTICS FOR THE MULTIPLE CLASSIFICATION ANALYSIS OF ASSET HOLDINGS

	Own Bonds				Own Stocks			
	1970		1977		1970		1977	
Predictors	Eta	Beta	Eta	Beta	Eta	Beta	Eta	Beta
Family income quintiles	.248	.139 (1)	.297	.143 (2)	.362	.213 (1)	.331	.152 (2)
Education	.170	.030 (11)	.232	.103 (4)	.343	.208 (2)	.299	.166 (1)
Age	.044	.078 (4)	.126	.074 (5)	.095	.074 (8)	.121	.037 (11)
Life cycle of family head	.126	.075 (5)	.164	.053 (7)	.150	.075 (7)	.171	.095 (6)
Own home	.153	.042 (10)	.157	.051 (8)	.176	.018 (12)	.180	.046 (10)
Own savings	.244	.122 (2)	.244	.105 (3)	.267	.064 (10)	.228	.047 (9)
Own checking	.203	.059 (8)	.193	.019 (9)	.255	.032 (11)	.223	.027 (12)
Own certificates of deposit	.143	.074 (6)	.158	.070 (6)	.199	.101 (4)	.248	.120 (4)
Own bonds	—	—	—	—	.252	.102 (3)	.261	.129 (3)
Own stock	.252	.120 (3)	.261	.143 (1)	—	—	—	—
Use credit card	.185	.057 (9)	.185	.012 (11)	.262	.084 (5)	.249	.064 (8)
Have installment debt	.061	.065 (7)	.046	.001 (12)	.096	.077 (6)	.062	.074 (7)
Own other real estate	.078	.011 (12)	.127	.015 (10)	.170	.066 (9)	.238	.101 (5)
Multiple R-squared (adjusted)		.130		.147		.259		.224
Cases	2576		2563		2576		2563	

Note: numbers in parentheses indicate the rank order of the beta statistics.

ASSETS APPENDIX

TABLE 1

MEDIAN TOTAL FAMILY INCOME BY INCOME, AGE, LIFE CYCLE AND EDUCATION

	Median Total Family Income		Percentage change from 1970-1977[a]	
	1970[a]	1977[a]	Nominal	Real
All Families	$ 8,690	$13,750	58%	3%
Family Income Quintiles				
Lowest	2,400	3,500	46	-9
Second	6,000	8,250	38	-17
Third	8,600	13,750	60	5
Fourth	12,420	21,250	71	16
Highest	18,630	32,500	74	19
Age of Family Head				
Younger than 25	6,000	8,250	37	-18
25-34	9,920	13,750	39	-16
35-44	11,210	18,750	67	12
45-54	11,250	18,750	67	12
55-64	8,300	13,750	66	11
65-74	4,100	6,750	65	10
75 or older	3,010	4,500	50	-5
Life Cycle of Family Head				
Under Age 45				
Unmarried, no children	5,400	8,250	53	-2
Married, no children	10,510	16,250	55	0
Married, youngest child under age 6	10,020	16,250	62	7
Married, youngest child age 6 or older	12,800	21,250	66	11
Age 45 or older				
Married, has children	11,480	18,750	63	8
Married, no children, head in labor force	12,000	21,250	77	22
Married, no children, head retired	4,750	9,500	100	45
Unmarried, no children, head in labor force	6,190	9,500	53	-2
Unmarried, no children, head retired	2,400	4,500	87	32
Any Age				
Unmarried, has children	5,070	6,750	33	-22
Education of Family Head				
8th grade or less	5,000	6,750	35	-20
Some high school	8,240	10,500	27	-28
High school graduate	10,240	13,750	34	-21
Some college	9,210	13,750	49	-6
College graduate	14,120	21,250	50	-5

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[a] Reported family income was for the previous years, 1969 and 1976.

Source: 1977, Table J-11

SURVEYS OF CONSUMER ATTITUDES

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CONSUMER EVALUATIONS OF CREDIT TRANSACTIONS

by

Richard T. Curtin

May 1979 WP5

From 1946 until 1970, the Survey Research Center, with the support of the Federal Reserve Board, conducted an annual Survey of Consumer Finances (SCF). These surveys were updated and enlarged with the 1977 Survey of Consumer Credit (SCC), jointly funded by the Board, the FDIC and the Comptroller of the Currency. The 1977 Survey of Consumer Finances adds to the rich source of cross-sectional data on the distribution of assets, debts, durable goods and financial transactions among American families. This national survey consisted of 2,563 respondents personally interviewed during August 1977.

CONSUMER EVALUATIONS OF CREDIT TRANSACTIONS*

Richard T. Curtin

Federal consumer credit protection legislation has grown substantially in recent years. Current consumer credit legislation includes the Truth-in-Lending provision (1969), the Fair Credit Billing Act (1973), and the Equal Credit Opportunity Act (1974), among others. Population sample surveys can serve as guidelines for the development of consumer policy as well as a means to assess the effectiveness of these policy initiatives. This paper presents an initial overview of how American households evaluate their credit transactions. Data are drawn from a nationwide representative sample of 2,563 households conducted in August-September 1977 by the Survey Research Center at The University of Michigan. Whenever possible, comparable data from earlier surveys of consumer finances conducted by the Survey Research Center were used to assess potential change.

The 1977 survey revealed that half of all American households had outstanding installment debt (Table 1). Interestingly, the proportion of families with installment debt was unchanged from the 1960s, although the average amount of debt outstanding has increased relative to income since that time. Although the proportion of families who have outstanding debt has remained rather constant, negative attitudes toward buying things on the installment plan have decreased substantially since 1967. In 1977, 51 percent felt using the installment plan was generally a good idea, up from 48 percent in 1967 -- an insignificant change (Table 2). In contrast, 15 percent felt that the use of the installment plan was a bad idea in 1977, compared to more than 40 percent who held this view in 1967. This general decline in negative predispositions toward the use of installment credit was mirrored by increasingly favorable attitudes toward the use of credit for specific types of purchases. In 1977, more than 80 percent of all respondents felt that installment debt was all right to use to finance the purchase of a car, for educational expenses, or to cover expenses due to illness (Table 3 and Chart 3). Somewhat more than half of all respondents now favorably view the use of installment debt for furniture purchases, while just less than half found it all right to use installment debt for bill consolidation or to cover living expenses when income is cut. Just one-fourth of all consumers, on average, favor the use of installment credit credit for purchases of hobby items or to cover the expense of a vacation. Use of installment credit to finance the purchase of a fur coat or jewelry found as little acceptance in 1977 (6%) as in 1967 or 1970 (4%).

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* James Burns provided skillful research assistance in the preparation of this paper.

Loan Satisfaction

This widespread use and acceptance of consumer credit was matched by a high level of reported satisfaction among consumers with their most recent loan transaction. Using a 5-point satisfaction scale, 74 percent said that they were very satisfied and another 17 percent reported being somewhat satisfied, while just 5 percent reported outright dissatisfaction (Table 4). Although the vast majority (91%) were satisfied with their most recent loan, this does not necessarily indicate the lack of credit problems. A series of fixed-question/free-response items were used to directly assess consumer credit problems, allowing the respondents to explain in their own words their experiences with consumer credit problems.

Several areas were selected for detailed investigation, each centered around problem areas on which recent consumer credit legislation has focused. In particular, respondents were asked to detail any unfair treatment in credit transactions they might have experienced, any recent complaints they had made about a credit problem, whether they were refused credit altogether or were unable to obtain the full amount desired, and whether any credit card bills they received during the past year contained errors. In each case, respondents were also questioned as to whether they had attempted to resolve any of these credit problems they encountered, and whether their actions led to a satisfactory outcome.

Unfair Treatment

Respondents were asked whether, in their opinion, they had ever been treated unfairly in their credit transactions. In response, 24% of all households mentioned one or more problems which they had experienced (Table 5). Among those experiencing unfair treatment, 35% mentioned being overcharged or receiving bills which contained errors; another 11% reported being unfairly dunned to pay bills. Twenty-one percent said that they were refused credit altogether, while another 18% mentioned specific personal, financial, or credit characteristics of the household as forming the basis of their unfair treatment. Approximately two-thirds of all households who experienced unfair treatment attempted to resolve the problem, with the majority (74%) taking their complaints to the creditor. Among those who attempted to correct any unfair treatment, 38% reported that the problem was corrected to their satisfaction. Achieving a satisfactory outcome was somewhat more frequent when respondents were unfairly dunned to pay bills (46%), and less frequent when the unfair treatment involved refusal of credit (26%).

Recent Complaints

When asked if they had complained to someone other than a friend or relative about some credit experience, 12% reported registering one or more complaints during the past few years (Table 6). As with unfair treatment, the majority of complaints were directed toward the creditor rather than governmental agencies, lawyers, or consumer groups. The most common complaint registered by consumers was being overcharged or having billing errors. Interestingly, a smaller proportion of all the complaints actually registered by respondents concerned credit refusal as compared with the relatively greater frequency with which this problem was mentioned as being unfairly experienced in the past. Among those who did register complaints, 40% reported that they were satisfied with the outcome -- a figure comparable to the reported frequency of satisfied outcomes to complaints made concerning unfair treatment. Satisfactory outcomes to complaints were almost as frequent (40% versus 43%) when the complaint was made to the creditor as when a lawyer or governmental agency was contacted. In addition, almost half of all complaints which involved billing errors were corrected to the respondent's satisfaction, more than twice as frequently as reported satisfactory outcomes when complaints involved credit refusal.

Credit Refusal

When asked whether they had been turned down when applying for credit or were unable to get as much credit as they wanted, 20% of all households reported that they had experienced this situation in the past few years (Table 7). Among respondents who were refused credit or unable to obtain the desired amount, two-thirds said that the creditor cited unfavorable financial and credit characteristics of the household as the reason for their decision. In addition, 9% reported other personal characteristics of the household (for example, age, marital status, family size) as the reason given by the creditor for not being able to obtain credit. More than one-third (38%) of the households who were unable to obtain credit felt the creditors explanation was satisfactory. As might be expected, respondents more frequently found the explanations of creditors satisfactory when they involved the financial (45%) and credit (41%) characteristics, rather than when personal characteristics (27%) of the household were cited.

Credit Card Billing Errors

Nine percent of all households reported that they received credit card bills during the past year which contained errors -- 14% among credit card holders (Table 8). More than half of those who had received bills with errors reported being charged the incorrect amount, and one-third stated that a payment or refund was not correctly recorded. The majority of respondents cited errors which occurred on store charge cards and revolving accounts (59%), more than twice as many respondents as who had errors on bank (28%) or gasoline (17%) charge cards. Significantly, 88 percent of those respondents who reported credit card billing errors attempted to correct these errors, and nearly all of these complaints (90%) resulted in a satisfactory outcome.

Interest Rate Awareness

Truth-in-lending requires creditors to disclose the important terms of consumer credit contracts in clear and simple language. Has the implementation of the truth-in-lending law heightened consumers awareness of interest rates? Benchmark studies of consumer awareness of annual percentage rates were conducted by the Federal Reserve Board in 1969 and 1970. The 1977 survey replicated these measures to assess whether interest rate awareness had increased since that time. Using similar procedures in each survey, a substantial gain in awareness was documented. In 1969, just 15% of all respondents were (correctly) aware of the annual percentage interest rate charged on their installment loans (Table 9). In comparison, 55% of all respondents were correctly aware of annual percentage interest rates in 1977. Similar and substantial increases in awareness of interest rates charged on retail revolving credit accounts and bank credit cards was also evidenced. Although this represents partial evidence of the effectiveness of the Truth-in-Lending Law, it does represent encouraging evidence that consumer credit information has and can be effectively encouraged by public policy.

Summary

These data indicate that consumer credit use among American households has been maintained at a high level throughout the past decade, accompanied by an increasingly favorable attitude toward the use of installment credit. Although satisfaction with outstanding loans is widespread, a substantial number of consumer credit problems were recorded among the general population. The most significant problems mentioned include access to credit and various billing errors.

These data revealed a significant difference between the occurrence of consumer credit problems and the number of problems left unresolved (Table 10). Complaints registered by consumers to remedy credit problems they encountered proved effective in approximately one-third of the cases. Significantly, credit card billing errors were more responsive to current complaint handling procedures than problems concerning unfair treatment or credit refusal. Overall, credit card billing errors were largely resolved to the respondent's satisfaction, while the occurrence of unresolved unfair treatment remained widespread.

Among all American households, 4% reported they had been treated unfairly and had recently registered a complaint and had been limited or denied credit. This combined incidence is reduced to 1% when satisfactory outcomes to complaints were taken into account. In contrast, a majority of all respondents (62%) did not mention any of these credit problems, and 75% did not mention any unresolved problems. Whether the measured extent of consumer credit problems or the effectiveness of the complaint handling process represent an improvement over the past cannot be assessed by these data alone. Nonetheless, one household in four reported unresolved credit problems, indicating that greater attention must be given to this significant consumer problem.

TABLE 1

TRENDS IN INSTALLMENT DEBT, 1959-1977

Year	Percentage of all households with installment debt
1959	47%
1960	47
1965	49
1966	49
1967	48
1968	48
1969	51
1970	49
1977	47

TABLE 2

GENERAL ATTITUDES TOWARD INSTALLMENT DEBT[a]

Percent who view use of installment debt as:	1967	1977
Good	48	51
Pro-con	10	32
Bad	40	15
Don't know/not ascertained	2	2
Total	100%	100%

---

[a] The question was: "Let's begin by talking about how you feel about credit in general. Do you think it is a good idea or a bad idea for people to buy things on the installment plan?"

TABLE 3

TRENDS IN ATTITUDES TOWARD INSTALLMENT DEBT USE, 1959-1977
(Percentage of all families)

	Percent Saying "Yes"			
Appropriate Purposes for Borrowing	1959	1967	1970	1977
To cover expenses due to illness	86%	80%	85%	85%
To finance educational expenses	70	77	86	80
To finance the purchase of a car	67	65	76	84
To finance the purchase of furniture	44	52	61	60
To consolidate bills which have piled up	44	43	49	47
To cover living expenses when income is cut	26	40	43	49
To cover the expenses of a vacation	5	9	10	17
To finance the purchase of a fur coat or jewelry	2	4	4	6
To finance boats, snowmobiles and other hobby items	NA	NA	NA	23

CHART 3

ATTITUDES TOWARDS USE OF INSTALLMENT DEBT

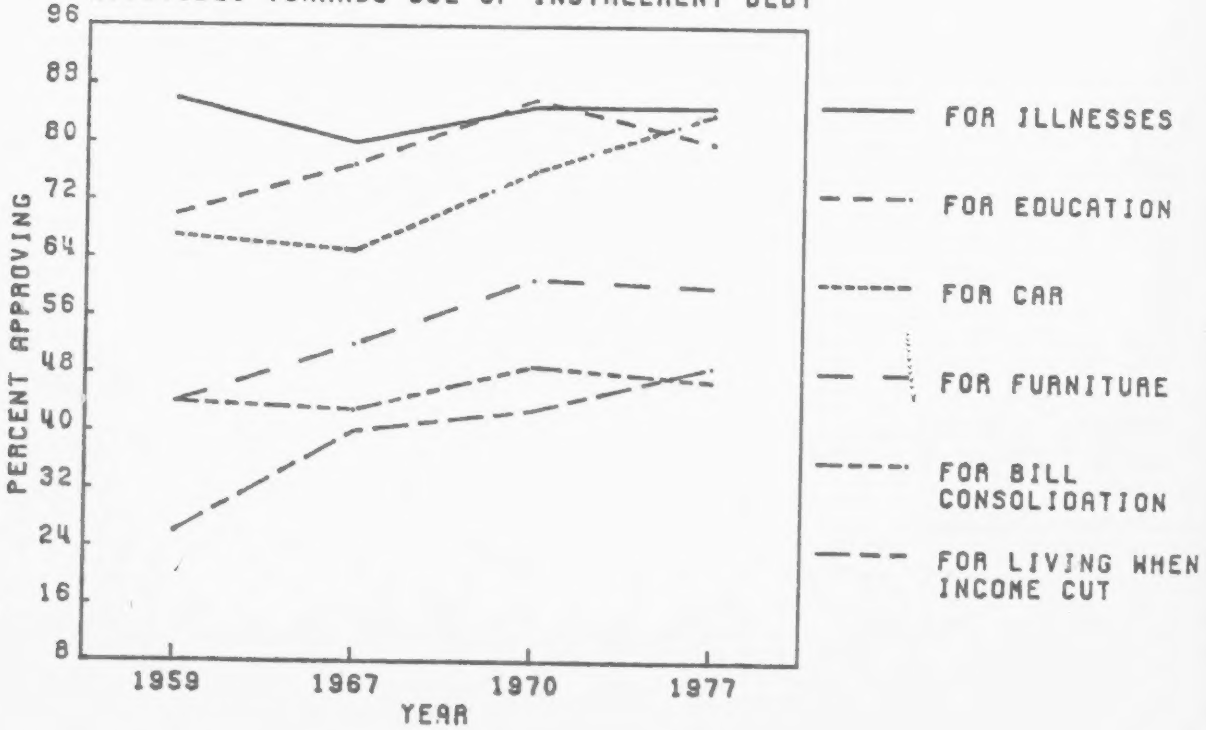

TABLE 4

LOAN SATISFACTION[a]

	Percent satisfied with most recent loan transaction over $200
Very satisfied	74%
Somewhat satisfied	17
Pro-con	1
Somewhat dissatisfied	3
Very dissatisfied	2
Don't know/not ascertained	3
Total	100%
Cases	1165

---

[a] The question was: "Looking at this card, overall, how satisfied are you with this loan?"

TABLE 5

PERCEIVED UNFAIR TREATMENT IN CREDIT TRANSACTIONS[b]

	All households (N=2563)	Respondents treated unfairly (N=622)	Respondents who attempted solution (N=387)	Proportion of respondents satisfied with outcome by problem solution type
Percent ever treated unfairly in credit transactions	24	-	-	-
Type of problem mentioned:[a]				
Credit refused altogether	-	21	-	26
Financial, credit, or personal characteristics of borrower	-	18	-	32
Overcharged, billing, or other credit or errors	-	35	-	30
Dunned to pay bills	-	11	-	46
Other	-	33	-	20
Attempted to solve problem:[a]	-	62	-	-
Went to creditor/credit bureau	-	-	74	34
Went to lawyer, government agency, or pressure organization	-	-	14	32
Paid off debt/went to alternative source of credit/refused to pay for item	-	-	16	44
Other action taken	-	-	4	29
Percent satisfied with outcome	-	-	38	-
Unfair treatment left unresolved to respondent's satisfaction	17	-	-	-

---

[a] Percentages do not add to 100 due to multiple responses.

[b] The questions were: "In your opinion, have you ever been treated unfairly in your credit transactions? What was the problem? Did you try to do anything about this? What did you do? Was the problem corrected to your satisfaction?"

TABLE 6

RECENT COMPLAINTS ABOUT CREDIT EXPERIENCES[b]

	All households (N=2563)	Respondents who complained (N=299)	Proportion of Respondents satisfied with outcome by complaint type
Percent having complained within the past few years about a credit experience	12	-	-
To whom complaint was made:[a]			
Creditor/credit bureau	-	63	40
Lawyer, government agency, or pressure organization	-	44	43
Other	-	3	11
Type of Complaint:[a]			
Credit refused altogether	-	11	22
Financial credit, or personal characteristics of borrower	-	8	39
Overcharged, billing, or other creditor errors	-	42	45
Dunned to pay bills	-	13	49
Refused refund on bad item	-	11	32
Other	-	17	48
Percent satisfied with outcome	-	40	-
Percent with complaint left unresolved to respondent's satisfaction	5	-	-

---

[a] Percentages do not add to 100 due to multiple responses.

[b] The questions were: "In the past few years, have you complained about some credit experience you had--say, to a lawyer, a government official, the creditor, or someone other than a friend or relative? To whom did you complain? What happened that made you complain? What was the outcome?"

TABLE 7

LIMITATION OR REFUSAL OF CREDIT[b]

	All households (N=2563)	Respondents who were refused/limited in receipt of credit (N=511)	Proportion of respondents satisfied with outcome by reason given
Percent refused credit or unable to get as much as desired	20	-	-
Reasons given by creditor:[a]			
Personal characteristics of borrower	-	9	27
Credit characteristics of borrower	-	42	41
Financial characteristics of borrower	-	27	45
Miscellaneous reasons	-	5	46
No reason given/respondent does not know	-	12	10
Percent satisfied with explanation	-	38	-
Percent unresolved credit refusals	11	-	-

---

[a] Percentages do not add to 100 due to multiple responses.

[b] The questions were: "In the past few years, have you ever been turned down for credit by a particular lender? Were you unable to get as much credit as you wanted from a particular lender or creditor in the past few years? What was the reason that was given? Was the explanation satisfactory?"

TABLE 8

CREDIT CARD BILLING ERRORS[b]

	All households (N=2563)	Respondents who had billing errors (N=227)	Respondents who took action by type of error	Proportion of respondents satisfied with outcome by type of error
Percent of all respondents having billing errors in the last year	9%	-	-	-
Type of billing error[a]				
Charged incorrect amount (under or over)	-	57%	88%	80%
Charged for another's purchases	-	21	96	85
Payment or refund not credited correctly	-	35	89	76
Type of credit card[a]				
Gasoline	-	17	87	76
Bank	-	28	88	80
General purpose	-	5	92	83
Store card/account	-	59	88	78
Percent of respondents who attempted to correct a billing error	-	88	-	-
Percent of respondents satisfied with outcome	-	-	90	-
Unresolved billing errors	1	-	-	-

---

[a] Percentages do not add to 100 due to multiple responses.

[b] The questions were: Have any of the credit card bills sent to you in the past year contained errors? What kind of error was made? On which type of card? What did you do about the error? Was the error corrected to your satisfaction?"

TABLE 9

AWARENESS OF ANNUAL INTEREST RATES, 1969-1977

(Percentage distribution among those having each type of credit)

	Aware of Interest Rates		
Type of Credit	1969	1970	1977
Closed end credit	15%	38%	55%
Retail revolving credit	35	56	65
Bank credit cards	27	63	71

TABLE 10

RESOLVED AND UNRESOLVED CONSUMER CREDIT PROBLEMS

	Percent of all Households	
Unfair Credit Treatment	24%	
Problem corrected satisfactorily		7
Unresolved unfair treatment		17
Recent Credit Complaint	12%	
Problem corrected satisfactorily		5
Unresolved credit complaint		7
Credit Refusal	20%	
Creditor explanation satisfactory		9
Creditor explanation unsatisfactory		11
Credit Card Billing Error	9%	
Error corrected satisfactorily		8
Error not corrected satisfactorily		1

SURVEYS OF CONSUMER ATTITUDES

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ORIGINS OF INFLATIONARY EXPECTATIONS

by

Richard T. Curtin

July 1979 WP7

This paper was initially presented before the House Budget Committee of the U. S. Congress Task Force on Inflation, on June 18, 1979.

ORIGINS OF INFLATIONARY EXPECTATIONS

Richard T. Curtin

Inflation is one economic fact of life of which consumers are well aware. In the May 1979 Survey of Consumer Attitudes, conducted by the Survey Research Center at The University of Michigan, 91 percent of all families expected prices to increase during the next year. Almost 70 percent of all consumers expected prices to increase by five percent or more, and 45 percent of all families expected prices to increase by ten percent or more. On average consumers expected prices to increase by 11.4 percent in May 1979, up from 8.2 percent in May 1978. This represents the highest mean expected price increase ever recorded in these surveys. Only in one previous quarter (November 1974) did the average expected price increase exceed ten percent. Moreover, the May 1979 reading is the second consecutive quarterly reading above ten percent.

The overriding concern among consumers with inflation has also been expressed by the frequency with which inflation is named both as the number one problem facing the nation as well as the number one problem facing individual families. The heightened concern with inflation during the past year has lead to the bleakest business and personal financial outlooks ever recorded in the 30-year history of these surveys.

Expectations of inflation have varied considerably over time--see Chart 1. Throughout the 1950's, the average expected price increase recorded in these surveys remained below two percent per year. In the early sixties, expected price increases ranged form two to three percent. From mid-1972 to late 1974, the average expected price increase rose from 3.04 percent to 10.66 percent. Recent increases have also been sharp: in the fourth quarter of 1976 consumers expected prices to increase on average by just 4.8 percent, less than half of the 11.4 percent recorded in mid-1979.

Basis of Expectations

Changes in expectations are systematic and based on reality. Price expectations need to be accurate if they are to serve the best interests of decision makers, in this case the consumers; consequently, they are revised with feedback from learning and from changed circumstances. Without exploring a more formal model, the most immediate past experiences with price changes are often found to have a large influence on expected future change. This close association between time-series changes in price expectations and the current quarterly rate of change in the C.P.I. is shown in Chart 2. The time-series correlation of price expectations with quarterly C.P.I. changes was 0.89.

When consumers were directly asked which price increases made them most aware of inflation in mid-1978, the vast majority mentioned that they were most aware of food price increases (Table 1). The number of respondents reporting awareness of food price changes greatly exceeded any other mention. In comparison to the 89 percent who mentioned food prices, just 26 percent, the next highest in frequency, mentioned price changes for clothing. Somewhat more than one-in-ten respondents mentioned being most aware of price changes for fuel, utilities, housing and autos. Less than one-in-twenty consumers mentioned that medical costs or appliances had made them most aware of inflation.

A similar question was asked in late 1978, and provides a partial assessment of the accuracy of these expectations. Respondents were asked which prices had increased the most during the past twelve months (Table 2). In response, one-in-four respondents mentioned the cost of food (28 percent), and another one-in-four mentioned the cost of housing (26 percent). Medical costs and utilities were each mentioned by approximately 17 percent as having increased in price the most during the past year. Few respondents indicated the price of clothing or appliances had increased greatly during the past twelve months.

These perceptions of price increases were compared to the actual C.P.I. change during the year prior to the survey. Food prices were most frequently identified by respondents as having increased the most, and also recorded the highest actual C.P.I. change. In fact, the rank order of items according to respondent perceptions and actual C.P.I. change was identical, except for appliances (Table 2).

Causes of Inflation

Consumers not only look toward past price changes when assessing expected future changes, they also incorporate more broadly based indicators. For example, an OPEC price announcement or the settlement of a labor contract indicates increasing prices even before they are registered in the market place. To assess which general areas consumers look toward, respondents to the March 1979 survey were asked to state, in their own words, why they thought prices had gone up as much as they have over the past couple of years. In response, steep wage increases were mentioned by 29 percent, excessive government spending by 14 percent, and excessive business profits by 16 percent (Table 3). In addition, one-in-four consumers mentioned the impact of higher food and energy prices on the economy. A few consumers mentioned balance of payment problems (7 percent), high production costs/low productivity (7 percent), and consumers buying too much (5 percent).

Following this unprompted free-response question, respondents were asked to rate the importance of several different potential causes of inflation (Table 4). In response, three-in-four consumers stated that energy price increases had a great deal to do with the increased rate of inflation. In addition, 71 percent of all families reported that government overspending had a great deal to do with the increased rate of inflation, and 62 percent felt that the government printed too much money without anything to back it up.

Overall, government policy and energy prices were the two most frequently mentioned causes of inflation. Nonetheless, half of all households also mentioned business firms raising prices too much, and half mentioned workers who received large wage increases as having a great impact on inflation. Just one-in-three felt high interest rates or consumers buying too much had a great impact on inflation. Interestingly, although government spending programs were in general criticized by the majority, just 29 percent reported that government programs to reduce unemployment had a great deal to do with inflation.

Cures for Inflation

Fully one-in-three respondents in the March 1979 survey felt there was little or nothing anyone could do about inflation, and consequently felt that we had to live with inflation as best we could. The majority, however, felt something could be done to reduce inflation (Table 5). When asked what could be done, consumers mentioned wage and price controls (30 percent), cutting government spending (8 percent), and decreasing imports (7 percent). Interestingly, 13 percent of all respondents mentioned consumers should economize and conserve to reduce inflation, and another 14 percent mentioned that government controls should be reduced.

When asked who was responsible for taking action to reduce inflation, Congress was singled out more frequently (23 percent) than the President or Executive Branch (17 percent). Together, these branches of government were mentioned more than twice as frequently as consumers, business, or unions.

In the April 1979 survey, consumers were questioned as to whether they thought wage and price controls would be helpful in reducing inflation (Table 6). In response, 30 percent of all respondents felt controls would be helpful in comparison with 43 percent who judged controls to be not helpful.

This distribution of responses is similar to that obtained in early 1974, also a time of rapid price increases. In the intervening years, somewhat more households reported controls as helpful (24 to 30 percent), and somewhat fewer households reported controls as not helpful (56 to 43 percent). Nonetheless, at each time respondents more frequently judge controls as not helpful rather than helpful in reducing inflation.

Moreover, even if wage and price controls were in place, and all incomes were automatically adjusted to keep pace with inflation, the majority of Americans would still be concerned with inflation (Table 7). When asked in April 1979, 54 percent of all respondents said that even if their incomes were indexed to keep pace with inflation they would nonetheless be concerned with inflation. Forty-two percent stated that with such indexation, they would no longer be concerned with inflation. Respondents frequently mentioned they would still be concerned with inflation because they felt indexation would be unfair or poorly administrated, or only make inflation worse. This pattern of responses is identical to the one obtained earlier in August 1974.

Summary and Discussion

Consumer expectations about aggregate changes in the rate of inflation closely correspond to actual changes in the C.P.I. Perceptions of differential price increases among several broad categories of products also proved accurate when compared to actual changes. Expectations are reality based in that they not only reflect what has happened in the past, they also incorporate people's best estimates of future change. What people believe to be the major causes or sources of inflationary pressures point toward the early warning indicators used by consumers. Among the many sources mentioned by consumers, the common theme was the unchecked and excessive actions on the part of big business and big unions, as well as big government. Excessive wage increases, soaring profits, and government deficits were each as likely to be singled out as the primary cause of inflation.

Just as no single cause of inflation dominated consumer opinions, there was no widely preferred remedy for inflation either. There was greater consensus, however, in the belief that the government bore the major responsibility to take action to reduce inflation. This mandate is anchored on underlying root causes, since many consumers found price and wage controls and even full indexation of incomes not sufficient to end their concern with inflation.

Public policies aimed at breaking the momentum of inflationary psychology must take these findings into account. The most direct and reliable method of reducing price expectations is through actual reductions in the current rate of price increases. Public policy is then properly directed toward reducing inflation, not the symptoms that high inflation generates. It has been often argued, however, that a sudden and dramatic change is required to break the psychology of inflation, even apart from any actual change in prices. Policy aimed at public persuasion that the future will improve, despite currently worsening inflation, can be successful only insofar as actual future rates of inflation decline. Given the strong reality basis of inflationary expectations, consumers will continue to judge the credibility of economic policy against unfolding economic events, and revise expectations accordingly.

Because inflation by its very nature increases uncertainty and fear among consumers, government economic policy should act as a source of stability and security. Confidence in government economic policy provides the necessary atmosphere to place temporary economic reversals in perspective. Moderation of price expectations can only be facilitated by confidence and trust; distrust can only exacerbate expected changes.

Attempts to reduce inflationary expectations to be persuasive must not only be factual, but also helpful to consumers. Since much of the recent inflation has involved steep price increases in food, housing, and transportation, the necessary changes and adjustments in consumptive life styles are extensive. Much of the costs of disruption could be avoided if public policy promoted confidence and a sense of equal burden sharing when making these adjustments. Consequently, public policy would be better served if rather than simply trying to break the psychology of inflation, consumers were also advised on how to best reduce the costs of their adjustment to the prevailing higher rates of inflation.

CHART 1

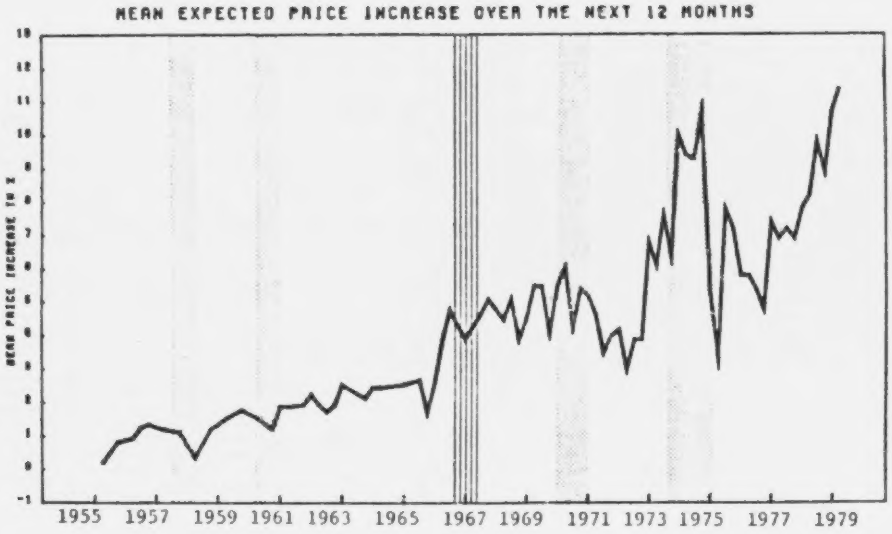
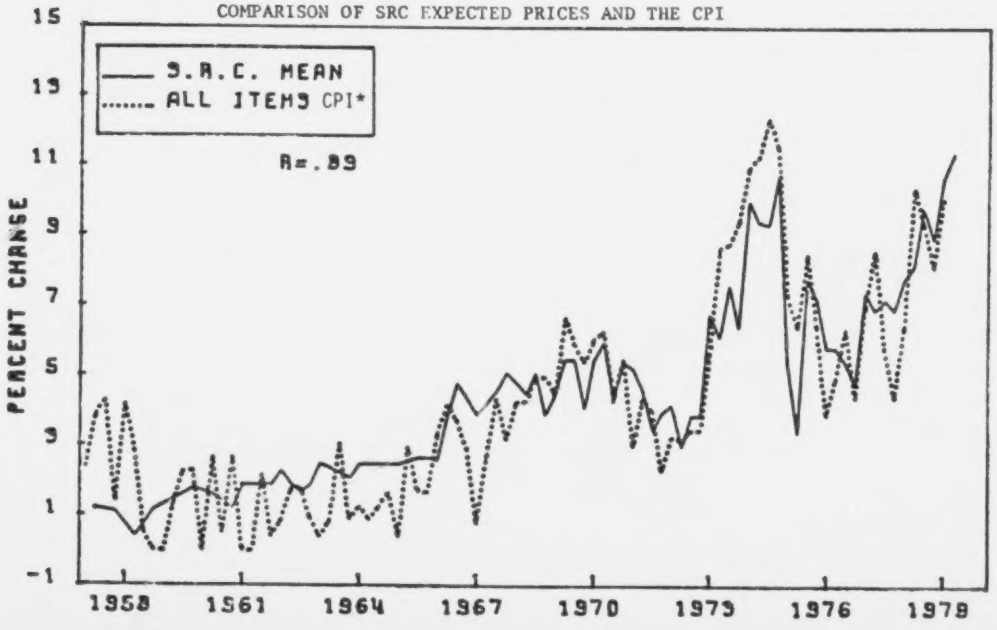


CHART 2


COMPARISON OF SRC EXPECTED PRICES AND THE CPI

*Quarterly change at annual rates

TABLE 1

Price Increases Which Made Consumers Most Aware of Inflation

(May 1978 Survey)

	First Mention	Second Mention	Third Mention	All Mentions
Food	76%	11%	2%	89%
Clothing	3	19	4	26
Fuel	3	6	5	14
Utilities	4	6	3	13
Autos	2	6	4	12
Housing	3	4	4	11
Medical	*	2	2	4
Appliances	1	2	1	4
Other items	6	4	2	12
DK;NA	2	40	73	
Total	100%	100%	100%	
Cases	1,298	1,298	1,298	

---

*Less than 0.5 percent

The question was: Which price increases during the past few months have made you most aware of inflation? Anything else?

TABLE 2

Consumer Reports of the Largest Price Increases During the Past Year

(November 1978 Survey)

Item	During the Past Twelve Months ... Greatest Price Increase was in ...	Price Increase of Item was Among Three Highest	Actual Change in CPI (Oct.1977-Oct.1978)
Food	28%	86%	12.2
Housing	26	48	11.8
Medical	17	48	8.4
Utilities	16	50	6.4
Automobile	7	30	6.3
Clothing	3	30	3.9
Appliances	*	4	8.4
DK;NA	3	-	-
Total	100%	-	-
Cases	1,460	-	-

---

*Less than 0.5 percent.

The question was: We would like to have your opinion on which price increases have been largest during the last year. After I have read the following list, please tell me which three items you think have gone up the most in price during the last year: a) food, b) clothing, c) utilities, d) housing, e) medical costs, f) automobiles, g) appliances. Of the three which one do you think has shown the greatest price increase?

TABLE 3

Consumer Opinions on the Major Causes of Inflation

(March 1979)

Causes of Inflation	First Mention	Second Mention	Total Mentions
Government			
Spending programs	11%	3%	14%
Balance of payments	6	1	7
Too many controls	1	*	1
More controls needed	2	*	2
Business			
High profits	9	7	16
High production costs	3	3	6
Low productivity	1	*	1
Consumer			
Union wage demands	8	2	10
Other wage increases	15	4	19
Consumers buying too much	4	1	5
Product Areas			
Food	6	3	9
Energy	9	7	16
Other Reasons	12	3	15
Don't know; not ascertained	13	-	-
No second mention	-	66	-
TOTAL	100%	100%	121%[a]
Cases	769	769	769

---

[a] Adds to more than 100% due to multiple mentions

The question was: Why do you think prices have gone up as much as they have over the past couple of years?

TABLE 4

Consumer Opinions on Several Possible Causes of Recent Inflation

(March 1979)

	Increased the Rate of Inflation a ...					
Causes of Inflation	Great Deal	Somewhat	A Little	Not at All	DK;NA	/Total
Oil, energy prices	74%	18%	6%	*	2%	100%
Gov't overspending	71	17	7	2%	3	100%
Govt' printing too much money	62	18	9	4	7	100%
Business firms raising prices	51	34	13	1	1	100%
Large wage increases	50	29	14	3	4	100%
High interest rates	37	42	16	3	2	100%
Consumers buying too much	33	30	23	11	3	100%
Gov't programs to reduce unemployment	29	35	20	10	6	100%

---

*Less than 0.5 percent. Cases = 769.

The questions were: There may have been several causes of inflation during the past couple of years. For each of the following statements, please tell me whether you think this has increased inflation a great deal, somewhat, a little, or not at all: a) Some business firms have raised prices to increase their profits; b) Some groups received wage increases that were too large; c) The cost of oil and other kinds of energy in producing food and other products; d) The government in Washington spending more money than it took in; e) Increases in the interest rates that banks charge for loans, f) People buying products they don't really need; g) The government in Washington printing money with nothing to back it up; h) The government spending money to keep down unemployment.

TABLE 5

Consumer Opinions on What Can Be Done About Inflation

(March 1979)

What can be Done about Inflation?		
Have to live with inflation	36	
Something can be done	61	
What can be done?[a]		
Controls on wages, prices & profits		30
Cut Government spending		8
Decrease imports		7
Consumers economize & conserve		13
Reduce Government controls		14
Who is responsible for taking action?[a]		
President		17
Congress		23
Business		9
Consumers		13
Unions		4
DK;NA	3	
Total	100%	
Cases	769	

---

[a] Adds to more than 61% due to multiple mentions.

The questions were: Do you think something can be done about the problem of rising prices, or is it just a problem we'll have to live with? What do you think can be done about rising prices? Who do you think is most responsible for doing something about inflation?

TABLE 6

Consumer Opinions on Whether Wage and Price Controls Would Be Helpful in Reducing Inflation

	February 1974	April 1979
Helpful	24	30
Helpful in some ways, not helpful in other ways	12	19
Not helpful	56	43
DK;NA	8	8
Total	100%	100%
Cases	1,233	962

The question was: Some people think that mandatory government wage and price controls help to reduce inflation; other people think that mandatory wage and price controls are not very helpful in reducing inflation. What do you think?

TABLE 7

Concern with Inflation If All Incomes Were Indexed

If incomes were adjusted for inflation, would people still be concerned with inflation?	August 1974	April 1979
Yes	54	54
No	42	42
DK;NA	4	4
Total	100%	100%
Cases	1,309	962

The question was: If everyone could be sure that their income would be adjusted to keep up with the rate of inflation, do you think people would still be concerned about inflation?

APPENDIX TABLE A

Consumer Opinions About Inflation

(August 1977)

In the past few years, prices have gone up faster than in early 1970s or 1960s because...	Agree	Pro-Con	Disagree	DK;NA	Total	Most Important Reason
Business firms raising prices	77%	2%	15%	6%	100%	23%
Labor union wage increases	70	2	22	6	100%	31
Government spent too much	59	4	30	7	100%	27
Shortages of Consumer goods	37	2	57	4	100%	11
Government did not tax enough	8	1	83	8	100%	*

To slow down inflation, the Government should...	Agree	Pro-Con	Disagree	DK;NA	Total	Most Important Remedy
Encourage more employment	82%	2%	14%	2%	100%	44%
Decrease Government spending	65	2	25	8	100%	24
Wage and Price Controls	49	3	45	3	100%	21
Ration scarce goods	32	4	58	6	100%	3
Raise income taxes	9	2	86	3	100%	2

*Less than one-half of one percent.

The questions were: During the past several years prices have gone up faster than in the early 1970's and 1960's. Do you agree or disagree with the following reasons *why* this might have happened: a) Prices have gone up faster because the government did not tax enough; b) Prices have gone up faster because business firms have raised prices too much; c) Prices have gone up faster because of short supplies of the things consumers need; d) Prices have gone up faster because of short supplies of the things consumers need; e) Prices have gone up faster because the government spent too much? Next, I'll read a list of things which some people say should be done to slow down inflation. First--do you agree or disagree that a) the government should encourage more employment to slow down inflation; b) the goverment should spend less to slow down inflation; c) the government should raise income taxes to slow down inflation; d) the government should control wages and prices to slow down inflation; e) the government should ration scarce goods to slow down inflation.

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REVERSE ANNUITY MORTAGES--
A POTENTIAL DISSAVING
MECHANISM FOR ELDERLY HOMEOWNERS

by

Thomas S. Neubig

June 1979 WP8

This paper was submitted to the Reverse Mortgage Study Project --Wisconsin Bureau of Aging on February 28, 1979. The author is grateful for the comments of several members of the Economic Behavior Program and the Public Finance Seminar, especially, Richard D. Coe, on earlier drafts of this paper.

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During the past decade of inflation, homeowners have seen the value of their homes skyrocket while their pocketbooks are pinched by the higher prices of necessities. Many elderly homeowners are house value rich, but income poor, without a satisfactory means of dissaving the equity in their homes. A proposed financial instrument, a reverse annuity mortgage, could ease the liquidity problem of elderly homeowners and could offer them more choices in housing decisions.

This report seeks to demonstrate the potential of reverse annuity mortgages in supplementing the elderly's income. The details of the basic reverse annuity mortgage are described, along with a comparison of existing dissaving alternatives. Payment amounts and the degree of income support are estimated from a national sample of families. Finally, problems involved in the implementation of this private income support program are discussed.

A conventional loan consists of an individual borrowing a lump sum of money from a financial institution and gradually repaying (amortizing) the loan in the future. The financial institution makes the loan based on the individual's expected future income.

A reverse annuity mortgage (RAM) consists of a homeowner borrowing from a financial institution based on the current value of the individual's house. The homeowner receives a stream of future payments (an annuity) in return for promising to repay the loan out of the individual's estate. The homeowner keeps full possession and use of the house during the life tenure.

Basically, with a reverse annuity mortgage, homeowners receive cash payments for the rest of their lives after borrowing against the equity in their homes. The homeowners remain in their homes for life or until they decide to sell the homes, at which time the loans are repaid.

A Reverse annuity mortgage can take an infinite number of forms (Guttentag, 1977; Edwards, 1977) depending on the needs of the borrower. A RAM is a loan on which the principal is not paid back during the life of the loan (non-amortizing) which is paid out in regular installments to the homeowners. The basic form is called a fixed debt non-repayable loan (NRPL). The interest charges are subtracted from the payments so the value of the loan is fixed.

Non-repayable loans are not currently offered due to a federal prohibition of long-term non-amortized loans. Saving and loan companies are prohibited from offering loans exceeding five years in maturity, which do not require that the principal be paid off during the life of the loan. This restricts the type of RAM discussed in this paper, since the average life expectancy of anyone younger than 90 is longer than five years. Legislation is currently pending to remove the restriction on non-repayable loans.

RAMs Versus the Present Alternatives

Homeowners have few alternatives that could cash out the value of their house short of selling their home. Homeownership is important for more than just sentimental reasons. Homeowners have available rent-free housing services and are, thus, protected from outliving their capital. Homeowners possess a real, rather than a financial, asset and are, therefore, to some degree protected from inflation. While renters faced increasing rents during past inflations, homeowners have seen the values of their homes keep pace or exceed the rise in consumer prices (Curtin and Neubig, 1979).

The most common means of dissaving the equity in the home is to let the house depreciate through lack of maintenance. Many elderly homeowners who are strapped for cash but who are reluctant to sell their homes cut back on the necessary upkeep and repairs to their homes. Deterioration of a home is a destructive means of dissaving because not only is the value of the home reduced but the quality of the housing services provided to the homeowner is also reduced.

Sale-and-lease of the house would not involve the homeowner leaving the house, but the homeowner would lose any future capital gains on the house. An elderly person who did not capture any future price appreciation of the house would be losing a major protection against inflation. The elderly person would also face the chance of outliving the value of their remaining assets.

Conventional loans for an elderly homeowner are not a good means of reducing the equity in a house. The principal of a conventional loan is paid back during the life of the loan. A conventional loan would temporarily increase the homeowner's funds, but the homeowner would have to continue refinancing the loan in order to repay the principal. At some point in the future the value of the loan could equal the value of the house at which time the homeowner would have to sell the home in order to repay the loan. The homeowner would then have no home nor assets remaining.

Table 1 compares a reverse annuity mortgage with the alternative choices open to homeowners wishing to cash out some of their equity in a home. The non-repayable loan RAM has desirable features relative to the available alternatives.

--The homeowner retains ownership and use of the home.

--Reverse annuity mortgages can be designed to let homeowners choose the rate of dissaving of the equity. The homeowner can select the desired stream of income from the equity that would leave a chosen estate.

--The homeowner can live in the home for life and continue receiving rent-free services. The homeowners would not have to be afraid of outliving their assets when they are guaranteed life tenure in their homes.

--During the life tenure, the homeowners would capture any price appreciation of the home. The homeowner

TABLE 1

CHOICES AVAILABLE TO ELDERLY HOMEOWNERS WISHING TO CASH OUT THEIR HOUSE'S EQUITY

Choices	Cash out the net equity	Life tenure in the house	Capture the price appreciation	Protection from outliving one's capital	Option for heirs keeping the family home
Living in the home and leaving a large estate	No	Yes	Yes	Yes	Yes
Selling the home and moving to a smaller house	Partially	No	Yes	Yes	No
Moving to a rental residence	Yes	No	No	No	No
Sale-and-lease	Yes	No	No	No	No
Conventional loan	No	Maybe	Yes	No	Maybe
Reverse annuity mortgage	Yes	Yes	Yes	Yes	Yes

could choose to dissave all, some, or none of the additional equity from the price appreciation.

--The heirs of the homeowner would have the option of keeping the home. The heirs could repay the loan instead of having the home sold by the estate.

--Reverse annuity mortgages, thus, widen the alternatives available to elderly homeowners wishing to cash out the equity in their homes. At the same time, RAMs provide protection against inflation and the mortality risk of outliving one's assets.

The non-repayable loan would be a private transaction between a homeowner and a financial institution. An arms-length arrangement would be made based on the current market value of the home and current market interest rates. It would involve no forecasting of the expected price appreciation of individual homes. The mortality risks involved would be shared through the usual channel of annuities.

A non-repayable loan would involve only one process as far as the homeowner is concerned. The homeowner would receive monthly annuity payments from the financial institution. In order to understand the calculation of the payment amount, the fixed debt NRPL can be thought of as a three step process. First, the homeowner contracts with a financial institution to borrow a stream of payments using the home as collateral. The financial institution credits the homeowner with the funds from the loan, and 2) purchases a whole-life annuity with the funds. The annuity payment is based on the age, marital status, and sex of the homeowner. 3) When the annuity payment is made the homeowner receives cash for living expenses and the financial institution keeps part for the interest charge. The full annuity payment is called the gross annuity. The annuity payment net of the interest charge is called the net annuity.

The table below shows the equations for the gross and net annuity payments and the parameters involved. The annuity payments are larger the shorter the life expectancy of the homeowner. A fewer number of years over which the annuity is paid increases the fraction of the equity in the home which can be paid each year. The larger the equity in the home the larger the annuity payments.

Financial institutions are hesitant to lend the full market value of a house, even with the recent high rates of price appreciation of homes, so a loan to equity ration would be established. A reasonable ratio of 0.80 would leave the homeowner with some equity, which would preserve the responsibilities of ownership and safeguard the financial institution's investment. The higher the ratio of loan to house value the greater the annuity payment.

TABLE 2

THE NON-REPAYABLE LOAN AND ITS PARAMETERS

Gross Annuity Payment	$A_g = \alpha V \left(\frac{r_a}{1 - e^{-r_a n}}\right)$
Net Annuity Payment (Fixed debt NRPL)	$A_n = \alpha V \left(\frac{r_a}{1 - e^{-r_a n}}\right) - \alpha V r_1 = A_g - \ V r_1$
if $r_a = r_1 = r$	$A_n = \alpha V r \left(\frac{1}{e^{rn} - 1}\right)$

Parameters: n = life expectancy (number of payments)
r_a = interest rate on the annuity
r_1 = interest rate on the borrowed funds
V = present value of the house equity
α = ratio of loan borrowed to equity ($0<\alpha<1$)
e = Euler's constant ($\simeq 2.718$) for continuous compounding

If an annuity is purchased from an insurance company, the investment in the annuity accrues interest over the life of the annuitant. The higher the annuity interest rate, r_a, the larger the payment.

The second interest rate is the financial institution's opportunity cost of lending money to the homeowner. The higher the interest rate charged by the lender, r_1, the smaller the net annuity. An increase in the lender's interest rate raises the interest charge and reduces the payment received by the homeowner.

If an individual homeowner borrowed money from a bank and purchased an annuity, the individual would face an interest rate differential, $r_1 - r_a > 0$, which would significantly reduce the net annuity payment. A differential exists between the interest rate at which individuals can borrow and the interest rate at which individuals can invest (i.e., purchase annuities). The differential occurs because two profit margins and two administrative costs are involved. The cost of service and the risk of default are much higher for an individual than for a large borrower such as another financial institution.

A reverse annuity mortgage, if properly designed, would have a single interest rate. If one financial institution handled the RAM, the financial institution would be lending money to the homeowner while investing the money to earn interest on the annuity. Thus, no reason exists for an interest differential on a RAM handled by a single institution.

The higher the single interest rate, r, the smaller the annuity payment. This occurs because the interest charge by the lender is on the full amount borrowed throughout the homeowner's life, while the amount of money earning interest on the annuity is gradually reduced by the annuity payments.

Reverse annuity mortgages can be judged on the basis of the interest rate like a conventional loan. The higher the interest rate the larger the interest charges which reduce the net annuity payment. RAMs that involve an interest rate differential significantly reduce the net annuity payment to the disadvantage of the homeowner.

RAM Payment Amounts

The RAM payments are not as large as a person expects initially. The life expectancy of a 65 year old single female is almost twenty years. Elderly females' life expectanies are approximately five years longer than elderly males', for a given age, and single elderly females outnumber single elderly males nearly four to one. Married couples have even longer joint and last survivor life expectancies.

The average elderly homeowner has a smaller equity in their home than middle-aged homeowners. The average house value of homeowners age 65 or older is close to $35,000 with an average net equity of less than $32,000 (Curtin & Neubig, 1979). A non-repayable loan would be made available for only a fraction of the net equity.

In the table below yearly annuity payments were calculated for different life expectancies for each $10,000 of net equity. The annuity payments are shown for interest rates of three and nine percent. The far right column shows the reduced annuity payment when an interest rate differential exists. With a long life expectancy the net annuity payment becomes negative from the differential when the interest charge exceeds the gross annuity. The annuity payments shown assume that 100 percent of the net equity is borrowed. Adjustment for a loan to equity ratio of eighty percent is simply made by multiplying the payment by 0.80. A single female homeowner age 75 with a house value of $27,000 would receive $986 a year from a RAM ($r = 9\%$, $\alpha = 80\%$).

A fixed debt NRPL has the potential of protecting the elderly homeowner from inflation. A RAM can be designed similar to an open-ended mortgage on which the borrower can easily increase the value of the mortgage if the value of the house increases. The annuity payment would increase when the value of the loan increased. In fact, the fixed debt NRPL payment would increase faster than the price appreciation of the house since the homeowner would be older when the loan is refinanced. An example of how this would work follows. Assume a single elderly female with a $30,000 house with no mortgage. She contracted for a fixed debt non-repayable loan for 80 percent of her house value and with an interest rate of nine percent at age 65, when her life expectancy

TABLE 3

ANNUAL ANNUITY PAYMENTS FROM RAMs

(For Each $10,000 Net Equity)

	Approximate Age[a]			Non-Repayable Loan		
	Unmarried		Married			
Life Expectancy	Male	Female	Husband (Wife)	$r = 3\%$	$r = 9\%$	$r_1 = 9\%$ $r_a = 6\%$
5 years	87	92	99 (96)	$1854	$1671	$1474
10 years	74	79	86 (83)	857	658	549
15 years	65	70	77 (74)	528	340	130
20 years	57	62	69 (66)	365	195	-28

[a] Internal Revenue Code, Reg. §1.72-9.

was close to eighteen years. She received a yearly RAM payment of $522. Now assume that over the next five years consumer prices rose at six percent per year, or 33.8 percent cumulatively, and her house value increased at the same rate. Eighty percent of the additional equity in the home could be invested in an annuity on the same terms. If the homeowners life expectancy remained at 18 years, then the annuity payment would increase by $177, or exactly the same rate as inflation. The homeowner's age, however, after five years is 70 with a corresponding lower life expectancy of 15 years. The annuity payment would actually increase by $255--an increase of 49 percent, almost fifty percent faster than the rate of inflation. An open ended non-repayable loan that could add on any additional equity from the price appreciation of the home may be a homeowner's best protection against inflation.

Empirical Estimates of the Potential Dissaving Impact from RAMs--An Analysis of the 1977 Survey of Consumer Finances

Reverse annuity mortgage payments were calculated for 278 homeowning families with heads age 65+ from the 1977 Survey of Consumer Finances (SCF). The 1977 SCF was a national survey which collected information on the economic status and financial transactions of 2563 American families.

The average potential annual RAM payment was $1,060 for all elderly homeowners in the sample. The additional income support provided by a RAM would be an average of 18 percent of the elderly homeowners' current income. Single male homeowners would have received the highest average payment of $2,570 annually, increasing their current income by almost forty percent. Single female homeowners would have received an average annual payment of $1,210, supplementing their current income by 27 percent. Married homeowners would have received less than $800 annually, which would have amounted to an additional 10 percent above their current income. The difference in payment amounts between the groups is due primarily to their different average life expectancies.

Table 4 shows the difference between the average RAM payment possible for homeowners age 65-74 and for all homeowners age 65+. Participation in a RAM program at a younger age means the life expectancy is longer and therefore a smaller annual payment. Homeowners may want to postpone participating in a RAM program until age 70 or later in order to receive higher annual payments.

Initially a reverse annuity mortgage program will have higher average payments than when it has been available to homeowners for several years. The difference is due to the average age of the populations that consider using a RAM for the first time. The initial impact of RAMs will be a higher

TABLE 4

AVERAGE POTENTIAL RAM PAYMENTS FOR ELDERLY HOMEOWNERS: 1977

Average	All Families Head 65+	All Families Head 65-74	Single Families Head 65+	Single Males Head 65+	Married Head 65+	Poor Head 65+	Non-Poor Head 65+
Annual RAM payment	$1,060	$770	$1,210	$ 2,570	$770	$1,020	$1,060
RAM payment as proportion of annual income	18%	11%	39%	27%	10%	43%	13%
Age of head (years)	72	69	73	75	71	76	72
House Equity	$31,600	$34,200	$29,200	$38,100	$34,500	$23,300	$34,700
Number of Cases	278	189	93	23	162	36	181

SOURCE: 1977 Survey of Consumer Finances

average payment since any homeowner from age 60 to 100 is likely to participate. Older homeowners, assuming equal home equity, receive higher payments due to their shorter life expectancies. Once RAMs have been available for several years, the main enrollee is likely to be a homeowner who has recently retired and who is living on a reduced retirement income for the first time. The cross-sectional survey results, therefore, are probably a close approximation of what the initial impact of a RAM program would be.

The average annual RAM payment was nearly equal for poor[a] and non-poor families. Poor families have substantially lower equity values, but they tend to have older family heads. The most important difference is the extent to which RAM payments would supplement the families' current income.

Poor families' incomes could be increased an average of 43 percent while nonpoor families would have their current incomes increased by 13 percent.

One measurement of the importance of reverse annuity mortgages is the extent to which they could reduce the number of poor elderly families. When the RAM payment was added to the reported annual family income, the number of poor elderly homeowners was reduced by half--that is, 18 out of 36 poor elderly homeowners' incomes would have been raised above the poverty line. Since two-thirds of the elderly poor in the sample were homeowners, RAM payments would have raised over 30 percent of all the elderly poor out of poverty. These

[a] Poor families have incomes, not including in-kind income or imputed rental income, below the official poverty line.

TABLE 5

ELDERLY HOMEOWNERS AND THE EFFECTS OF RAMs

Marital Status	Percent of Elderly that Own Homes	Percent of Homeowners that are Poor	Percent of Poor Elderly Homeowners Raised out of Poverty
All elderly families	74%	17% (36 cases)	50% (18 cases)
Married	84%	12% (15 cases)	27% (4 cases)
Single Males	73%	10% (2 cases)	100% (2 cases)
Single Females	64%	30% (19 cases)	63% (12 cases)

SOURCE: 1977 Survey of Consumer Finances

estimates are based on a samll sample size, so additional research is necessary.

Cross-sectional survey results understate the importance of RAMs for two reasons. First, RAM payments as a fraction of future income is probably underestimated. Secondly, the effect of RAMs on continued homeownership among the elderly is not shown, yet this may be the most important reason to use a RAM for some homeowners who otherwise would have to relocate.

A cross-sectional survey represents a population at one moment in time, yet participation in a RAM program may be important at some later time for most homeowners. In any given single year about 14 percent of the elderly are poor. During a nine year period, twice as many of the elderly were poor for at least a one year period (Coe, 1978).

RAMs will increase the options available to homeowners, yet this important role is not displayed by cross-sectional survey results. RAMs may enable many homeowners to remain in their homes rather than having to move to a rental unit or in with family members. Homeownership among head's age 65+ is slightly lower than families with heads age 55-64 (Curtin and Neubig, 1979). RAMs may enable homeowners to remain in their homes, even if it is only for several more years.

Problems to Full Implementation of RAMs

The introduction of RAMs will need to overcome the elderly's apprehension over the use of credit and many of the elderly's isolation from participation in community programs. A recent study of non-participation in the food stamp program (Coe, 1979) found the single elderly least likely to participate primarily because they were "ill-informed" about the program. RAMs should be presented as a private means of dissolving one's own resources, rather than as a welfare program. Nevertheless, outreach efforts may be necessary to inform elderly homeowners, especially single females, about RAMs.

The NRPL, it should be made clear, is backed up 100 percent by the homeowner's house equity, so they are not going into debt, but rather they are dissaving existing wealth. This will be important since as the table below shows, when asked if they felt it was all right to borrow money to cover living expenses when income is cut or to cover expenses due to illness, the elderly, and especially retired unmarried elderly, were most likely to say no. Less than half of the elderly respondents felt it was appropriate to borrow for living expenses. One quarter of the elderly respondents did not consider medical expenses an adequate reason to borrow money.

TABLE 6

ATTITUDES OF THE ELDERLY TOWARD CREDIT

	Percent who felt it was all right to borrow to cover . . .			
			Retired	
Purpose	All Respondents	All Elderly	Married	Unmarried
Living Expenses	49%	42%	41%	36%
Medical Expenses	85%	75%	84%	73%

SOURCE: 1977 Survey of Consumer Finances

Government transfer payments received by many of the elderly poor would be reduced with the use of a reverse annuity mortgage. Supplemental Security Income (SSI) benefits would be reduced by one dollar for each dollar received in RAM payments after the first twenty dollars each month. Total annuity payments are explicitly defined as unearned income by SSI and Food Stamps, even though the majority of the payment is dissavings and only part is interest income. Treatment of annuity payments similar to the tax system would allow the RAM participant to exclude the annuity payments from the reduction in the transfer payment until the annuity payments exceeded the investment cost of the annuity. Poor elderly homeowners under the existing SSI would likely chose to remain dependent on government transfers rather than utilizing their own resources.

Reverse annuity mortgages have the potential of supplementing elderly homeowners' incomes through an orderly dissaving of their equity in the home. The many possible variations of RAMs would allow elderly homeowners a wider range of choice than is currently available. RAMs could help many homeowners remain in their homes longer as well as protecting them partially from the effects of inflation. RAMs are fairly simple financial instruments. Estimates of the payments possible to a sample of elderly homeowners show that RAMs would contribute a significant addition to their present incomes, especially for the poor elderly.

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VEHICLE OWNERSHIP AND PURCHASES AMONG AMERICAN FAMILIES

by

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Thomas S. Neubig

November 1979 WP9

From 1946 until 1970, the Survey Research Center, with the support of the Federal Reserve Board, conducted an annual Survey of Consumer Finances (SCF). These surveys were updated and enlarged with the 1977 Survey of Consumer Credit (SCC), jointly funded by the Board, the FDIC and the Comptroller of the Currency. The 1977 Survey of Consumer Finances adds to the rich source of cross-sectional data on the distribution of assets, debts, durable goods and financial transactions among American families. This national survey consisted of 2,563 respondents personally interviewed during August 1977.

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Highlights

More families in 1977 owned more vehicles than ever before. The increase in vehicle ownership and, in particular, multiple vehicle ownership among households, was paced by a large increase in light truck ownership. The use of installment credit in vehicle purchases increased slightly, while the maturity of vehicle loans increased significantly.

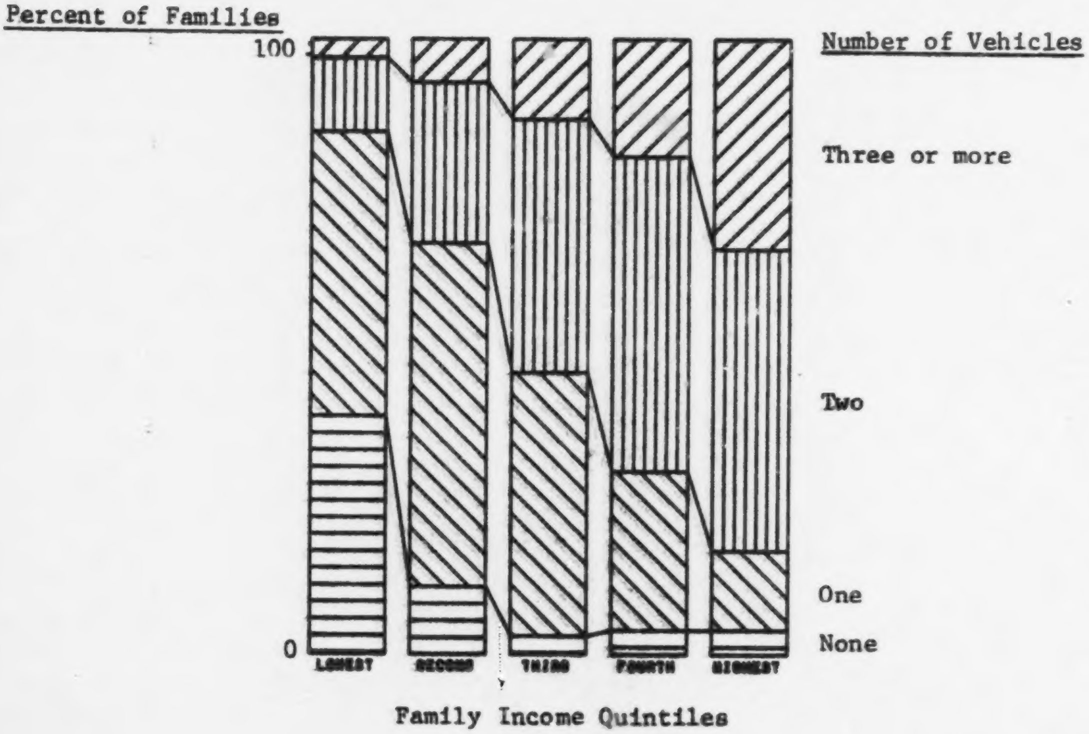
- -- One-third of all families purchased a vehicle in 1977. Eighty percent of the vehicles purchased were cars, while the remaining twenty percent were trucks (Table 8).
- -- Eighty-seven percent of all American families owned at least one vehicle in 1977, up from eighty percent in 1967 (Table 1).
- -- Almost half of all families (48 percent) owned two or more vehicles in 1977, an increase of one-third from the 1967 level (36 percent).
- -- The increase in multiple vehicle ownership was the result of increased truck ownership (25 percent in 1977 compared with 17 percent in 1967) and increased multiple car ownership (32 percent in 1977, up from 26 percent in 1967 (Table 5).
- -- The average length of vehicle ownership was 40 months in 1977, up approximately six months from 1970 (Table 6).
- -- The average price paid per vehicle exceeded $6,000 for new vehicles and was $1,800 for used vehicles in 1977 (Table 7).
- -- Installment borrowing was used for nearly half of all used vehicle purchases in 1977, up from 45 percent in 1970. Installment borrowing remained relatively constant at over 60 percent of new vehicle purchases (Table 11).
- -- Truck purchases were more likely to be made with installment loans than car purchases. The average amount borrowed for new truck purchases ($5,100) was larger than the amount borrowed for new car purchases ($4,200) (Table 12).
- -- The average installment loan maturity of new vehicles increased to 38 months in 1977 after having remained relatively constant at about 32 months throughout the 1960's (Table 14).
- -- One-third of all families had outstanding installment debt on vehicles in 1977, up from 29 percent in 1970. The increase in installment debt was due to longer vehicle loan maturities and increased multiple vehicle ownership (Table 16).

Vehicle Ownership-1977

Seven-in-eight families owned a car or a truck in 1977. Nearly half of all American families owned two or three vehicles in 1977. Multiple vehicle ownership increases monotonically with family income and is strongly correlated with the life cycle of the family head. Multiple vehicle ownership ranged from fifteen percent among families in the lowest income quintile to over eighty percent among families in the highest income quintile. Seventy-seven percent of two worker families owned multiple vehicles compared to sixty-five percent of married one worker families and twenty percent of unmarried heads.

CHART 1

VEHICLE OWNERSHIP BY INCOME--1977



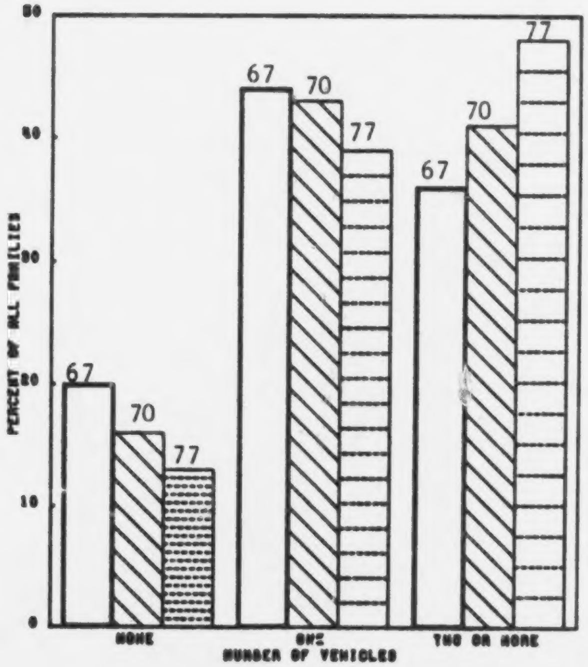
Unmarried heads and families with low incomes were most likely not to own a vehicle. Nearly forty percent of the families in the lowest income quintile in 1977 did not own a vehicle, compared to eighteen percent of families in the second income quintile and four percent of families in the top three income quintiles. Among families who had no employed members, primarily retired, one-third did not own a vehicle in 1977 (Table 2).

Change in Vehicle Ownership--1967 to 1977

During the past decade, vehicle ownership increased to a record level, from 80 percent in 1967 to 87 percent among all American families in 1977. In addition, individual families were also more likely to own several vehicles. While the proportion of families owning only one vehicle remained largely unchanged from 1967 to 1977, the proportion of families

CHART 2

VEHICLE OWNERSHIP--1967, 1970, 1977

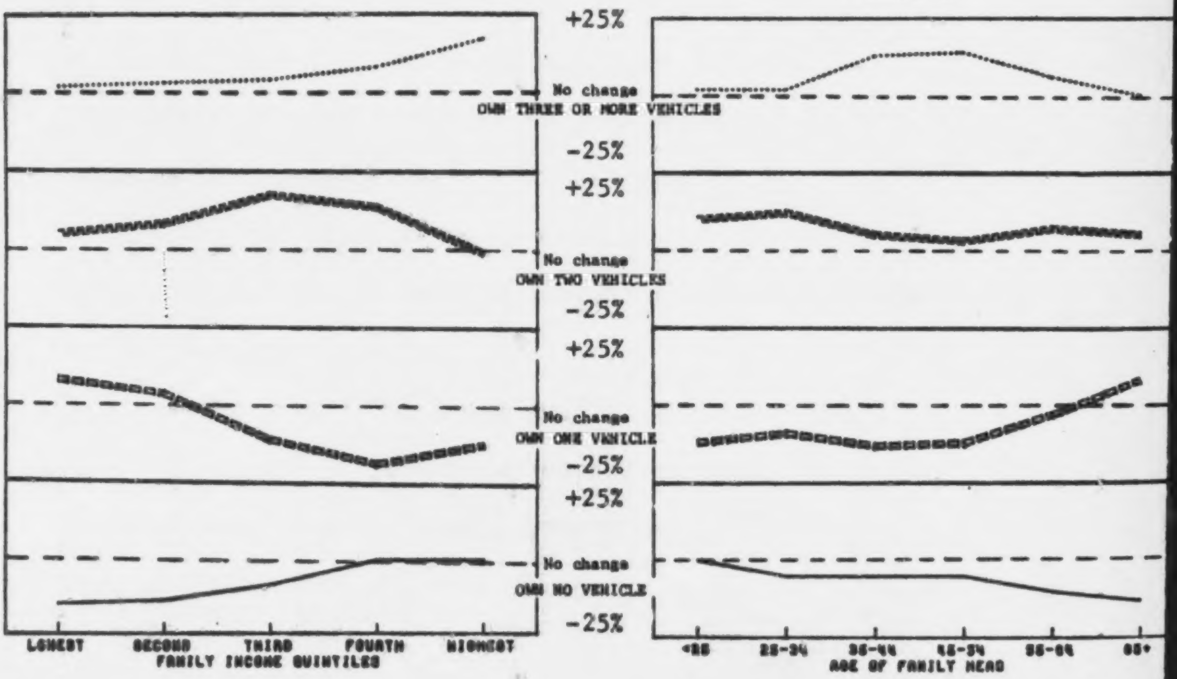


owning multiple vehicles increased from one-third in 1967 to nearly one-half in 1977. The overall increase in multiple vehicle ownership was divided equally between two vehicle families and families owning three or more vehicles. Thirty-four percent among all families owned two vehicles in 1977, up six percentage points from 1967. Fourteen percent among all families owned three or more vehicles in 1977, also up six percentage points from 1967.

The change in vehicle ownership during the past decade differed among demographic groups. Chart 3, Panel A shows the change between 1967 and 1977 in the percent of families owning different numbers of vehicles by income group. The plotted lines above (below) the "no-change" line represent an increase (decrease) in the percent of families owning that number of vehicles. Families in the lowest two income quintiles experienced

CHART 3

CHANGE IN PERCENT OF FAMILIES OWNING VEHICLES -- 1967-1977



Panel A

Panel B

a large increase in vehicle ownership (a decrease in the percent of families owning no vehicle). Low income families were more likely to own one or two vehicles in 1977 than in 1967. Families in the third and fourth income quintiles had large increases in two vehicle ownership, while single vehicle ownership declined. Families in the highest income qunintile posted a large increase in the proportion who owned three or more vehicles. Thirty-four percent among the highest income quintile families owned three or more vehicles in 1977, twice the level recorded in 1967.

Vehicle ownership increased within all age groups, except for the youngest, as shown in Chart 3, Panel B. Family heads age 55 or older had the largest increase in vehicle ownership, an increase of ten percentage points. Heads younger than age 35 were more likely to own two vehicles in 1977 than ten years ago. Families with middle-aged heads had the largest increase in three vehicle ownership (Table 2).

Type of Vehicles Owned

Households can be divided into several distinct groups based on the type and number of vehicles they own. First, vehicle owners and non-owners are isolated. Among vehicle owners, households are divided among those who only own cars, those who only own trucks and those who own car-truck combinations. Families owning cars can be further subdivided by whether they own one or more than one car (Table 5). Sixty-two percent of all families owned only cars in 1977, four percent owned only trucks and twenty percent owned car-truck combinations, as shown in the table below.

TYPE OF VEHICLES OWNED -- 1967, 1970 AND 1977
(Percentage distribution of all families)

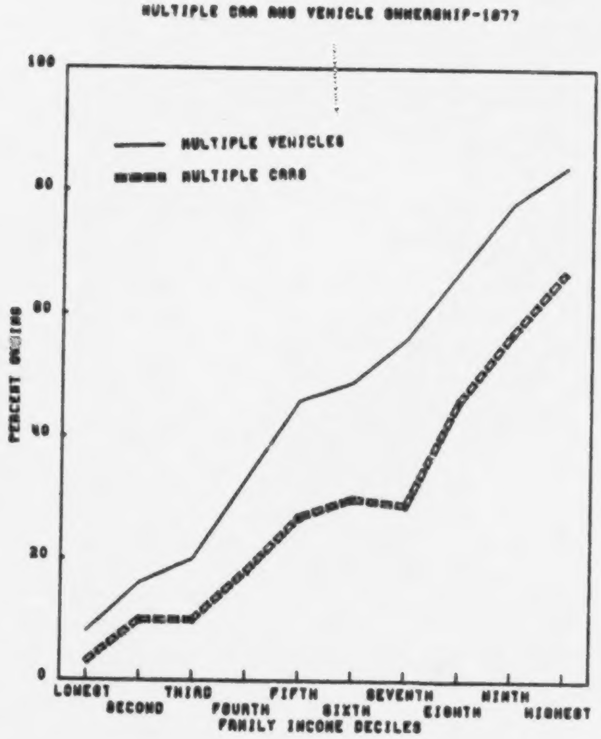
	1967	1970	1977
No vehicles	20%	16%	13%
Car ownership only			
Single car	42	41	36
Multiple cars	21	25	27
Car-Truck Combinations			
Single car and truck	11	12	15
Multiple cars and truck	4	4	5
Truck ownership only	2	2	4
Total	100%	100%	100%

Car Ownership. Eighty-three percent of all families owned an automobile in 1977, up five percentage points from 1967. One-third of all families owned two or more automobiles, although car ownership, similar to vehicle ownership, was lowest among low income families and unmarried heads. Multiple car ownership was more strongly related to income than multiple vehicle ownership. Multiple car ownership in 1977 increased sharply with the level of family income in the highest income deciles, while multiple vehicle ownership increased relatively steadily with family income (see Chart 4).

Car ownership increased from 78 percent in 1967 to 83 percent in 1977. The growth in car ownership occurred mainly among families owning car-truck combinations. Twenty percent among all families owned car-truck combinations in 1977, up from fifteen percent in 1967. Meanwhile, the percent of all families owning only cars remained unchanged at slightly over sixty percent. Among families owning only automobiles, multiple car ownership was more prevalent in 1977 than in 1967 (Table 3).

CHART 4

MULTIPLE CAR AND VEHICLE OWNERSHIP--1977



Truck Ownership. One quarter of all American families owned a truck in 1977, up eight percentage points since 1967. One-third of all households with married heads in the labor force owned trucks in 1977. Although truck ownership increased with family income, the relationship was indirect working through multiple vehicle ownership. Among multiple vehicle owners truck ownership actually declined as family income rose. Over fifty percent of multiple vehicle owners in the lowest three income quintiles owned a truck compared to less than forty percent of multiple vehicle owners in the top two income quintiles.

CHART 5

TRUCK OWNERSHIP BY AGE—
1967, 1970 AND 1977

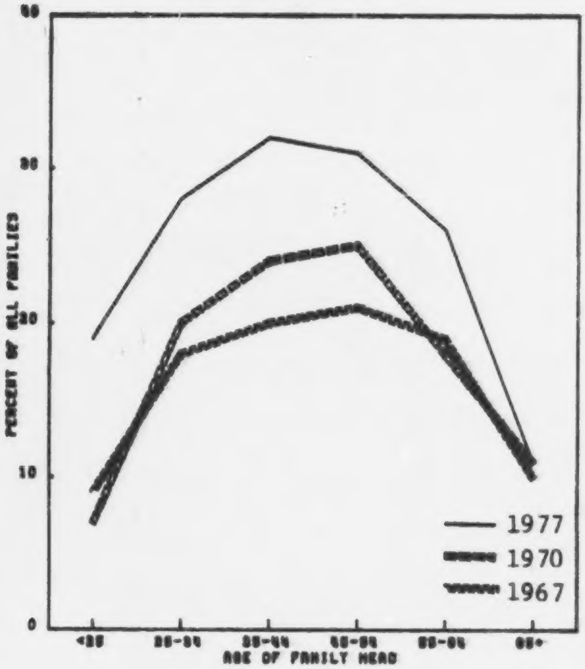
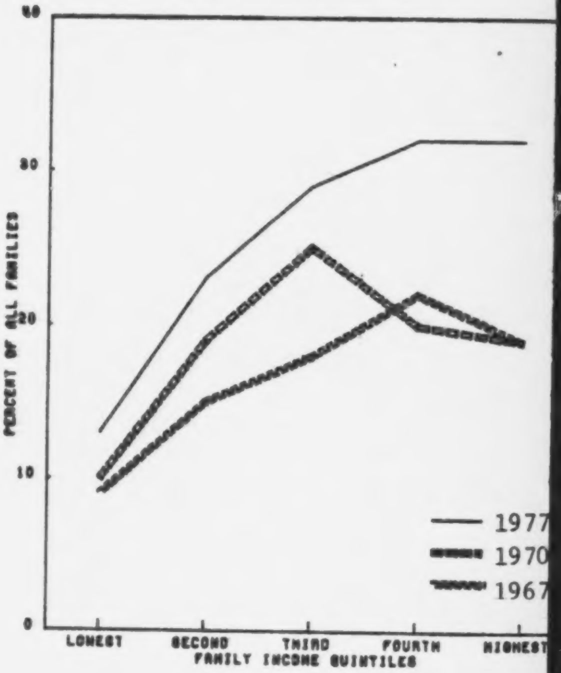


CHART 6

TRUCK OWNERSHIP BY INCOME—
1967, 1970 AND 1977

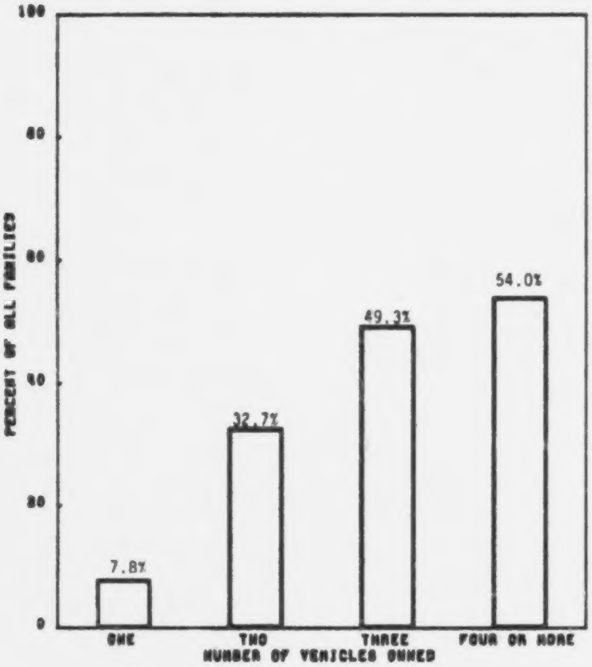


Truck ownership was much more likely in combination with other vehicles. Forty-three percent of multiple vehicle owners owned a truck compared to eight percent of single vehicle owners. Subgroups who had large increases in multiple vehicle ownership, particularly ownership of three or more vehicles, also had large increases in truck ownership.

Truck ownership was also strongly influenced by geographical location. Families living in rural areas (36 percent) and in the West (33 percen were most likely to own a truck, whereas families living in large urban areas (11 percent) and in the Northeast (15 percent) were least likely to be truckowners in 1977. Urban areas did, however, experience rapid growth in truck ownership since 1967.

CHART 7

TRUCK OWNERSHIP BY NUMBER OF VEHICLES OWNED--1977



Multiple vehicle ownership went to town, literally, as the percent of multiple vehicle owners increased from 10 percent in 1967 to 31 percent in 1977 among families living in the twelve largest central cities. Truck ownership began its expansion into urban areas along with the growth of multiple vehicle ownership. Between 1970 and 1977, truck ownership increased faster than multiple vehicle ownership in urban areas. Eleven percent of families in the central cities owned trucks in 1977, compared to one percent in 1967 (Table 4).

Car-Truck Combinations. Twenty percent of all families owned both a car and a truck in 1977; fifteen percent owned one car and a truck, while five percent owned two or more cars plus a truck.

Among the lowest two income quintiles, the increase in vehicle ownership was split roughly equally between cars and trucks. Middle-income families had larger increases in multiple car ownership rather than in car-truck combinations. The highest income families were much more likely to own a combination of cars and trucks (31 percent in 1977 compared to 19 percent in 1967), coinciding with their large increase in ownership of three vehicles (Table 5).

Length of Vehicle Ownership

Compared with 1969, a larger percentage of used cars purchased in 1977 were eight years or older. One-in-three used cars purchased in 1977 were eight years or older compared to one-in-five used cars purchased in 1969. The average age of used cars purchased in 1977 was slightly lower than in the 1960's, but the variance was larger. The average age of used trucks purchased in 1977 was almost two years older than the average age of used cars purchased in the same year. Forty percent of the used trucks bought in 1977 were eight years or older (Table 13).

Families owned their vehicles an average of three and one-third years in 1977. The average length of car ownership increased from 31 months in 1967 to 33 months in 1970 to 40 months in 1977. Forty percent of the vehicles in 1977 had been purchased within the last twenty months, while over eighty percent of all vehicles were purchased within the last six years. Vehicles purchased new were owned for an average of four years in 1977, while vehicles bought used had been owned for an average of two and three-quarters years. This difference is not surprising considering that the average age of new cars was 4.7 years, while the age of used cars was 8.7 years. The average number of years owned was nearly the same for cars and trucks as well as for the number of vehicles owned by the family (Table 6).

Vehicle Purchases--1977

One-third of all American families purchased a vehicle in 1977. Five percent of all families bought more than one vehicle within the year. Over half of the purchasers borrowed in order to pay for the vehicle. The average amount borrowed was $3,500, while the average amount spent was over $4,000 on vehicle purchases.

Vehicle purchases increased with the level of family income. Eighteen percent of families with less than $6,000 annual income purchased a vehicle in 1977, compared to forty-six percent among families with incomes of $25,000 or more. High income families were also more likely to purchase two or more vehicles within a twelve-month period. Eight percent of the highest income families purchased more than one vehicle compared with only one percent among families with less than $6,000 annual income.

Middle-aged heads were most likely to make vehicle purchases in 1977. Forty-five percent of heads aged 35-54 purchased a vehicle, compared to thirty-eight percent of heads younger than age 35 and less than thirty percent of heads older than 55. Middle-aged heads were also more likely to purchase more than one vehicle as well. Half of all married couples with children made a vehicle purchase in 1977.

Heads younger than age 35 and households with children used credit more often to purchase vehicles. Over sixty percent of those families purchasing a vehicle in 1977 borrowed to make the purchase. Two worker families were more likely to use installment debt for vehicle purchases (65 percent) than married couples with only one worker (52 percent) (Table 7).

CHART 8

VEHICLE PURCHASES BY INCOME--1977

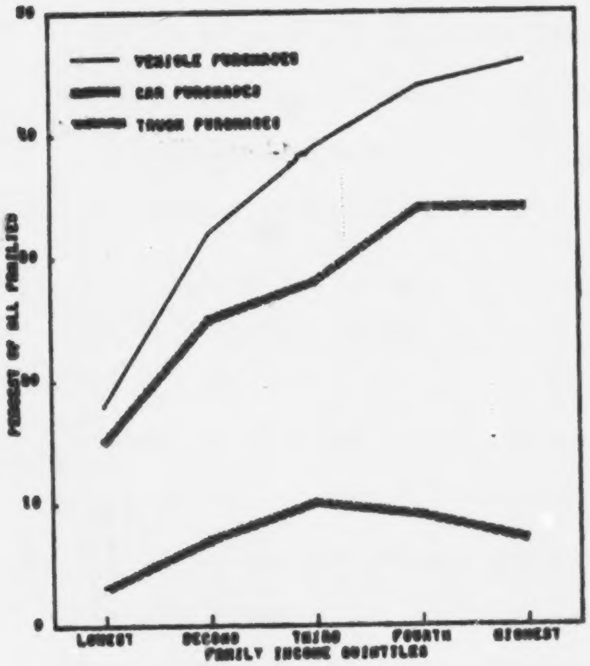
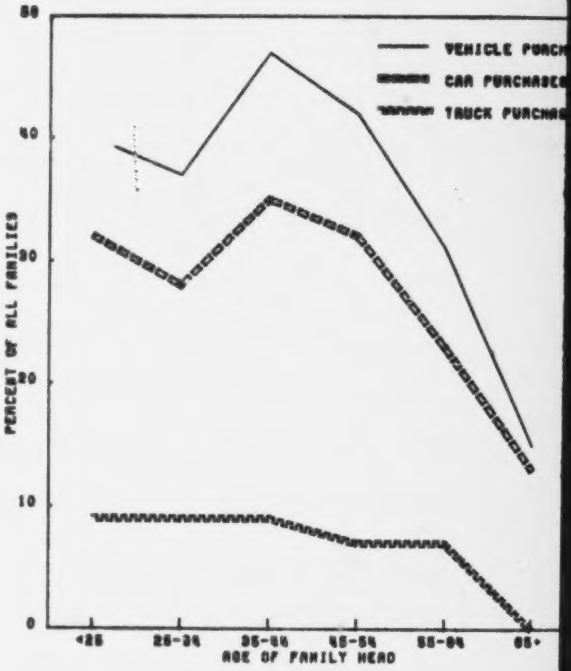


CHART 9

VEHICLE PURCHASES BY AGE--1977



Amount Spent on Vehicle Purchases. The average amount spent on vehicle purchases increased with the level of family income. This was due not only to the fact that high income families bought more expensive vehicles but also high income families were more likely to purchase more than one vehicle and were more likely to purchase new, rather than used, vehicles. The average amount spent on vehicles ranges from $1,800 among families in the lowest income quintile to $6,200 among families in the highest income quintile (Table 7).

Type of Vehicles Purchased. Table 8 describes the type of vehicles purchased. Eleven percent of all families purchased a new car in 1977. Three percent purchased a new truck, fifteen percent purchased a used car and four percent purchased a used truck. Purchases of new vehicles increased with income, while purchases of used vehicles declined with income. Families in the lowest income quintile were eight times more likely to purchase a used vehicle than a new vehicle (16 percent compared with two percent), whereas families in the highest income quintile purchased three new vehicles for every two used vehicles purchased.

Purchase Price

The range of vehicle prices paid was large in 1977. While one-in-four new cars sold for more than $7,000, one-in-four used cars were purchased for less than $500 each (Table 9). The average purchase price of a new vehicle was slightly over $5,000 for low income families compared to almost $6,500 per new vehicle for families with annual incomes over $25,000. Used vehicles were bought for an average purchase price of $1,000 by families with less than $6,000 income, while families with more than $25,000 income paid an average price of $2,250 for used vehicles (Table 10).

Age of Used Vehicles Purchased

The average age of used cars purchased remained relatively constant at six years. The variance of the age of used cars that were purchased was higher in 1977 than in 1969. Twenty-one percent of the used cars purchased in 1969 were eight years or older compared with thirty-three percent of the used cars purchased in 1977. The average age of used trucks purchased in 1977 was significantly higher than the average age of used cars purchased in 1977 (Table 13).

Method of Financing

Over half of the vehicle purchasers in 1977 used some form of installment borrowing. New vehicle purchasers were more likely to use installment borrowing (63%) than used vehicle purchasers (49%). Families borrowed more often and for larger amounts for truck purchases than for car purchases (Table 11).

The average amount borrowed for new car purchases was $4,230 in 1977, up from $2,280 in 1969. Half of the families who used credit for new truck purchases borrowed $5,000 or more. The average amount borrowed for used cars increased from $1,060 in 1969 to over $2,000 in 1977. Families purchasing used trucks borrowed an average $2,700 in 1977 (Table 12).

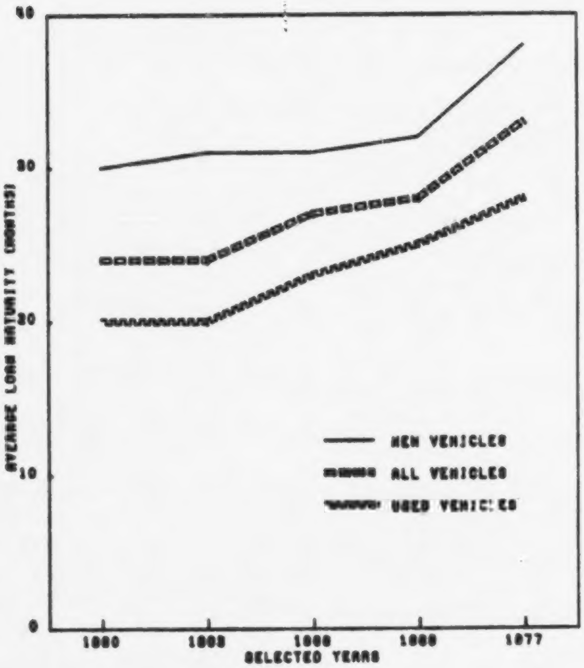
Vehicle Loan Maturities

Throughout the 1960's, the average length of new vehicle loan maturities remained relatively constant at just over 30 months. Between 1960 and 1969, loan maturities for used vehicles increased from 20 months to 25 months. New vehicle loan maturities increased from 32 months in 1969 to 38 months in 1977 with the greater use of four year auto loans. Used vehicle loans also continued their upward trend, reaching an average 28 months in 1977 (Chart 10 and Table 14).

Among new vehicle credit purchases, one-third had loans with maturities exceeding three years. Married heads with young children used four year vehicle loans more frequently (54 percent) than any other demographic groups. The average maturity for new vehicle loans was constant across income groups at 38 months, except among families in the lowest income quintile. Low income families had shorter average maturities because they were more likely to have two year loans (43 percent), even though they were also more likely to have four year loans (43 percent) (Table 15).

CHART 10

VEHICLE LOAN MATURITIES



Outstanding Vehicle Debt

The proportion of all families with outstanding vehicle loans increased slightly from 29 percent in 1970 to 32 percent in 1977. The median outstanding vehicle debt was $2,475 in 1977, up from $1,180 in 1970. The median monthly payment increased from $76 to $123 during those seven years (Table 16).

The growth in multiple vehicle ownership increased the likelihood that some families would have more than one vehicle loan outstanding.

Thirty-seven percent of all vehicle-owning families had outstanding debt on vehicles. Six percent of vehicle-owning families had more than one outstanding loan.

The proportion of vehicle-owning families with two or more outstanding vehicle loans was highest among families with high income, or children. Families with two workers were not only more likely to have an outstanding vehicle loan than married couples with only one worker (52 percent to 40 percent), they were also more likely to have several outstanding vehicle loans (11 percent to 7 percent). (Table 17).

Multivariate Analysis of Light Truck Ownership

A multivariate analysis shows multiple vehicle ownership and geographical area to be the most important predictor of light truck ownership in 1977. An AID* analysis of light truck ownership was able to account for the most variance in light truck ownership with the division of ingle vehicle owners from multiple vehicle owners. Residential location and geographic area were the next best predictors, followed by education and life cycle of the family head (see Table 18).

Twenty-five percent of vehicle owners owned light trucks in 1977, up from twenty percent in 1972. The growth in light truck ownership was due to both increased truck ownership among single vehicle owners and the general increase in multiple vehicle ownership. Single vehicle owners were twice as likely to own a truck in 1977 than in 1972 (7.8 percent compared with 3.5 percent). Thirty-eight percent of multiple vehicle owners owned a truck in 1977, comparable with 1972. However, more households owned multiple vehicles in 1977 than in 1972, contributing two-thirds of the increase in light truck ownership (see the table below).

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*For a complete description of the Automatic Interaction Detector (AID) program, see John Sonquist, Elizabeth Baker, and James Morgan, Searching for Structure, Survey Research Center, The University of Michigan, Ann Arbor, Michigan, 1971.

COMPOSITION OF LIGHT TRUCK OWNERSHIP

	1971-1972			1977			1972-1977
	(1) Percent of Vehicle Owners	(2) Percent Owning Light Trucks	(3)=(1)X(2) Percent of All Vehicle Owners Owning Light Trucks	(4) Percent of Vehicle Owners	(5) Percent Owning Light Trucks	(6)=(4)X(5) Percent of All Vehicle Owners Owning Light Trucks	(7)=(6)-(3) Percentage Point Change of Total Light Truck Ownership
Single vehicle owners	51.8%	3.5%	1.8%	43.7%	7.8%	3.4%	+1.6%
Multiple vehicle owners	48.2	38.4	18.5	56.3	38.0	21.4	+2.9
Adjacent and outlying areas	21.9	54.3	11.9	21.5	51.4	11.1	-0.8
Central cities and suburbs	26.3	25.2	6.6	34.8	29.7	10.3	+3.7
All Vehicle Owners	100%	20.3%	20.3%	100%	24.8%	24.8%	+4.5%

Source: 1977 SCF, Table D-43.

A variable representing a combination of city size and the distance from the residential location to the city, was the next best predictor of light truck ownership. Multiple vehicle owners were divided into families that lived in adjacent or outlying areas and families living in central cities or suburbs. Over half of families living in rural areas with at least two vehicles owned a truck in 1977, down slightly from the 54 percent owning light trucks in 1972. The growth of light truck ownership among multiple vehicle owners occurred among families living in urban and suburban areas. These families were more likely to own light trucks (30 percent in 1977 compared to 25 percent in 1972). They were also more likely to own multiple vehicles (35 percent in 1977, up from 26 percent in 1972).

In fact, almost the entire increase in multiple vehicle ownership occurred among urban and suburban families, as did the increase in light truck ownership.

The first two divisions of vehicle owners were similar in separate AID analyses conducted in 1972 and 1977. Multiple vehicle ownership and belt code were the most important predictors in both years. The amount of variance explained was lower in 1977 than in 1972.

The third division of the sample was the same as the 1972 analysis for urban and suburban multiple vehicle owners. The best predictor of light truck ownership for this group was the number of vehicles owned. Forty-one percent of families owning three or more vehicles owned a truck compared to twenty-five percent of families owning only two vehicles. The eight percent increase in multiple vehicle ownership in the urban areas was divided equally between families owning two vehicles and families owning three or more vehicles. The percent of families owning a light truck among two-vehicle owners increased from 19 percent to 25 percent, while light truck ownership slipped among owners of several vehicles from 47 percent to 41 percent.

The best predictor of light truck ownership among rural multiple vehicle owners was geographical region in 1977. Families living in the West were more likely to own a light truck (76.7 percent) than families living in other areas (47.7 percent). In 1972, the best predictor for this group was whether or not the head had some college education. Further divisions of the sample in 1977 which explained at least 0.4 percent of the total variance included an additional division by number of vehicles owned and the life cycle of the family head.

Region was the best predictor of light truck ownership in 1977 among urban families with three or more vehicles, replacing belt code which was the best predictor in 1972. Western families in this group were also more likely to own a light truck. Urban families with two vehicles were divided by educational level in 1977, instead of the 1971-72 division by occupational status of the family head. Heads without a college degree were twice as likely to own a light truck (29.3 percent) than heads with a college degree (13.0 percent).

The predictors of light truck ownership in 1977 were very similar to the important predictors in 1972. The most noticeable change was the increased importance of geographical region.

The growth of multiple vehicle ownership in the central cities and suburbs as well as the increased likelihood of truck ownership among urban families accounts for the major portion of the increase in light truck ownership.

Multivariate Analyses of Multiple Vehicle Ownership

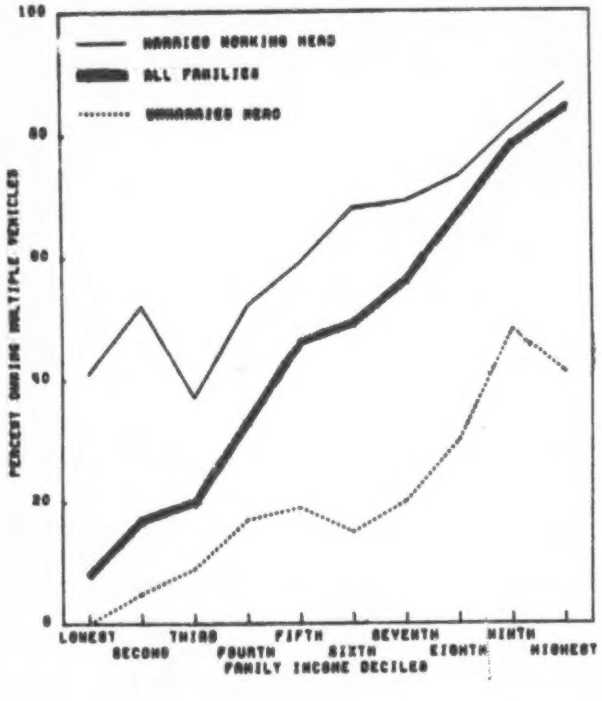
The life cycle stage of the family head explained one-quarter of the variance of multiple vehicle ownership. Marital and labor force status combined divided the sample into three groups. Nearly seventy percent of married heads in the labor force owned two or more vehicles, compared with 41 percent among married retired heads, and 13 percent among unmarried heads (Table 19).

Family income was also an important predictor of multiple vehicle ownership, but it did not appear until the third division of the sample after the life cycle and type of structure variable. Working married heads were divided according to their type of housing. Three-quarters of families living in single family homes owned two or more vehicles. The type of structure variable was not standing in as a proxy for residential location since it explained eight times as much of the variance.

Married working heads were divided into families in the top third of the income and the bottom two-thirds of the income distribution, while unmarried or retired heads were divided into families with low income and families with middle or high incomes. This interaction of income and life cycle helps explain why vehicle ownership increases relatively constantly by income decile for all families, since the income elasticity of multiple vehicle ownership differs by marital and labor force status, as shown in Chart 11 below.

CHART 12

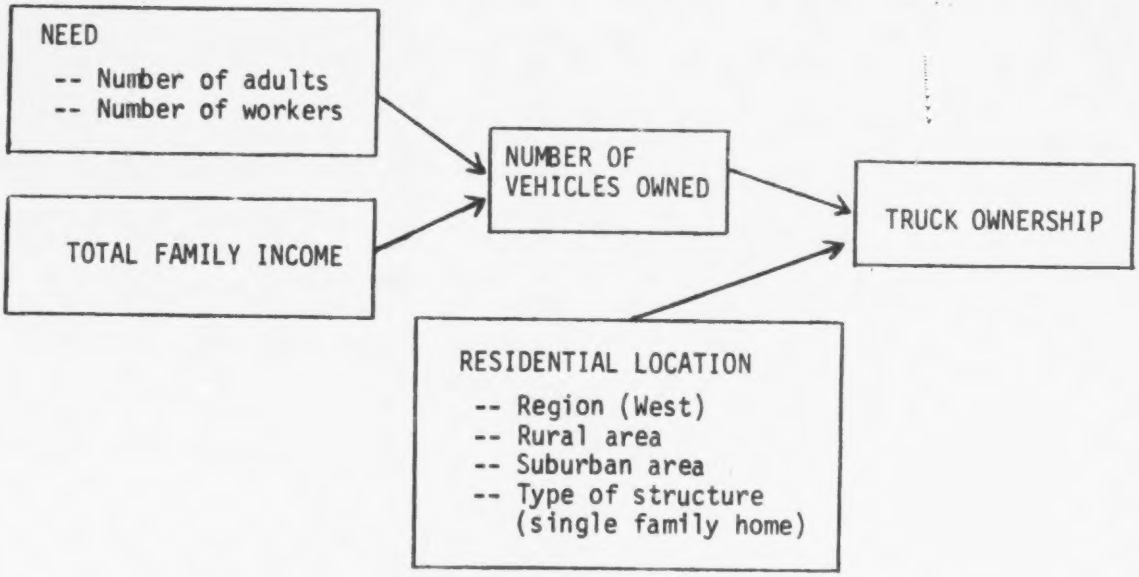
MULTIPLE VEHICLE OWNERSHIP--1977



Recursive Model of Truck Ownership

Change in vehicle ownership between 1967 and 1977 was dominated by the growth in multiple vehicles and in truck ownership. A simple recursive model was estimated which viewed the total number of vehicles owned as primarily a function of household need and income; the ownership of a truck was in turn taken to primarily depend on the total number of vehicles owned by the household and its locational characteristics. Using this model, the effects of household need and income on truck ownership which work indirectly through their effect on the total number of vehicles owned can be separated from their direct effect on truck ownership. These relationships are displayed in the path diagram in Figure 1.

FIGURE 1


NEED
-- Number of adults
-- Number of workers
TOTAL FAMILY INCOME
NUMBER OF VEHICLES OWNED
TRUCK OWNERSHIP
RESIDENTIAL LOCATION
-- Region (West)
-- Rural area
-- Suburban area
-- Type of structure (single family home)

The path diagram can be represented in a recursive system of equations:

(1) Number of vehicles owned = f (household need, income)

(2) Truck ownership = g (number of vehicles owned, residential location, household need, income)

Equations one and two were estimated using ordinary least squares (OLS)[1] on the 1970 and 1977 Surveys of Consumer Finances. The model was estimated with three different groups of families: A) all families, B) all vehicle-owning families, and C) all multiple vehicle-owning families.

Number of Vehicles Owned

The number of vehicles owned was regressed on household need and income (equation 1). Results are presented in Table 20. The effects of household need and income on the number of vehicles owned were all positive and statistically significant for all families and among vehicle-owning families.

The effect of household income on the number of vehicles owned was small, but positive, with the estimates being nearly identical for the two years among all families. Evaluated at the average family income of $16,400 in 1977, two-worker adult families were predicted to own 1.9 vehicles compared with 1.4 vehicles owned by single worker households.

Among all families in 1977, each additional adult was associated with an increase of 0.36 vehicles owned by the household, and for each additional worker, the number of vehicles increased by 0.12. These variables, representing differences in household needs, had a greater impact in 1970 than in 1977. An additional working adult increased the predicted number of vehicles owned by 0.77 in 1970 compared with 0.49 in 1977.

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[1] Using OLS regression to predict a qualitative variable (1 if owns a truck, 0 otherwise) provides unbiased, but inefficient, estimates. The estimated effects would not change if statistical procedures taking account of the truncated disturbance terms were used, but the sampling errors would be reduced and possibly some of the other effects would be "statistically significant." With substantial samples, however, variables with borderline significance are of doubtful importance.

Truck Ownership

The direct effects on the probability of owning a truck from the total number of vehicles owned, residential location, household need, and income are presented in Table 21. The number of vehicles and residential location had strong, positive effects on truck ownership. The probability of owning a truck increased, on average, 20 percent for each additional vehicle owned. The association was smaller in 1977 compared with 1970, which may reflect the increased number of families owning only a truck.

Residences located in the West or in rural areas were significantly more likely to own a truck. The number of adults and workers, as well as household income had small, mostly negative, direct effects on truck ownership. Residential location had a stronger influence on truck ownership in 1977 than in 1970. Dummy variables for residence in the West and rural areas had twice the magnitude in 1977 than in 1970. Suburban residents were no more likely to own a truck than urban residents in both years. Living in a single family home was associated with moderately higher truck ownership in 1977, but this effect was negligible in 1970.

The effects of household need and income on truck ownership can be separated into direct effects and indirect effects, which influence truck ownership through the number of vehicles owned. Estimates of the indirect effect are obtained by multiplying the need or income effect on the number of vehicles owned (equation 1) times the effect of the number of vehicles owned on truck ownership (equation 2). The total effect of income and need on truck ownership is the sum of the direct and indirect effects, which can be estimated directly by regressing truck ownership only on household need and income.

Table 22 shows the total, direct and indirect effects of household need and income on truck ownership. Income had a negligible total effect on truck ownership in both 1970 and 1977. A small, negative direct income effect was offset by a small positive indirect effect through larger vehicle inventories. This implies that as income increases, the likelihood of truck ownership is reduced, except to the extent that household diversify their larger vehicle inventory as income increases.

The total effect from both the number of household adults and workers on truck ownership was nearly identical for 1970 and 1977. Underlying the unchanged total was a more positive direct effect of household need on truck ownership and a slight decrease in their indirect effect. The positive total effect of number of adults in both 1970 and 1977 was due entirely to a strong positive indirect effect through larger vehicle inventories. In 1970, number of workers also influenced truck ownership almost entirely through the total number of vehicles owned. In 1977, for all families and for vehicle-owning families, the number of workers had a statistically significant positive direct effect on truck ownership. This change may be due to a greater variety of uses for trucks, including using them as transportation to work.

VEHICLE TABLE 1

VEHICLE OWNERSHIP[a]

(Percentage distribution of families)

Number of Vehicles	1955	1961	1967	1970	1977	Percent Change 1967-1977
None	b	b	20	16	13	-7
1			44	43	39	-5
2			28	32	34	+6
3+			8	9	14	+6
Average number of vehicles owned	b	b	1.27	1.38	1.54	+0.27
Number of Cars						
None	30	24	22	18	17	-5
1	60	58	53	54	51	-2
2	10	18	22	24	26	+4
3+			3	4	6	+3
Average number of cars owned	b	b	1.05	1.15	1.20	+0.15
Number of Trucks						
None	b	b	83	81	75	-6
1			14	16	22	+6
2			2	2	3	+1
3+			1	1	*	-1
Average number of trucks owned	b	b	0.21	0.23	0.28	+0.07

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*Less than 0.5 percent

[a] Vehicles are divided into two groups, passenger cars and trucks. Trucks include pickups, jeeps, and vans.

[b] Not available.

Source: 1977 SCF, Table D-1.

VEHICLE TABLE 2

NUMBER OF VEHICLES OWNED BY INCOME, AGE LIFE CYCLE, EDUCATION, REGION, AND NUMBER OF WORKERS - 1967, 1970 AND 1977

(Percentage Distribution of All Families)

	Number of Vehicles Owned											
	No Vehicles			One Vehicle			Two Vehicles			Three or More Vehicles		
	1967	1970	1977	1967	1970	1977	1967	1970	1977	1967	1970	1977
All families	20%	16%	13%	44%	43%	39%	28%	32%	34%	8%	9%	14%
Family Income Quintile												
Lowest	54	46	39	38	44	46	7	9	12	1	1	3
Second	25	18	11	53	56	56	18	21	26	4	5	7
Third	12	5	3	55	49	43	24	37	41	9	9	13
Fourth	5	4	4	46	41	26	38	45	51	11	10	19
Highest	5	4	4	27	27	13	51	49	49	17	20	34
Age of Family Head												
Younger than 25	17	17	17	62	63	50	19	18	29	2	2	4
25-34	13	11	8	51	45	42	29	38	41	7	6	9
35-44	11	9	6	40	37	27	38	42	43	11	12	24
45-54	12	7	7	37	34	25	36	42	39	15	17	29
55-64	21	17	11	41	43	38	30	30	37	8	10	14
65 or older	42	36	29	44	49	52	11	12	16	3	3	3
Life Cycle of Family Head												
Under age 45												
Unmarried, no children	33	31	18	56	60	68	8	8	10	3	1	4
Married, no children	4	2	3	52	52	35	38	37	51	6	9	11
Married, youngest child under age 6	6	4	4	53	47	34	34	43	49	7	6	13
Married, youngest child age 6 or older	4	2	3	34	33	15	46	50	54	16	15	28
Age 45 or Older												
Married, has children	8	6	4	32	28	22	40	45	43	[illegible]	21	31
Married, no children, head in labor force	7	6	4	39	34	26	40	45	45	14	15	25
Married, no children, head retired	22	16	11	61	60	48	15	19	36	2	5	5
Unmarried, no children, head in labor force	40	30	26	48	58	58	9	9	12	3	3	4
Unmarried, no children, head retired	[illegible]	[illegible]	44	25	37	51	5	4	4	0	*	1
Any Age												
Unmarried, has children	[illegible]	[illegible]	27	43	44	51	9	11	15	3	2	7
Education of Family Head												
8th grade or less	32	27	26	42	43	41	20	23	24	6	7	9
Some high school	23	18	19	37	41	41	28	30	27	12	11	13
High school graduate	13	11	7	46	41	39	31	38	37	10	10	17
Some college	10	9	11	48	49	38	34	33	38	8	9	13
College graduate	11	8	5	51	47	33	32	37	45	6	8	17
Region												
Northeast	29	17	19	47	46	40	18	29	32	6	8	9
North Central	16	14	10	46	45	40	28	33	33	10	8	17
South	21	17	13	42	44	38	28	32	36	9	7	13
West	14	11	11	38	39	36	38	35	37	10	15	16
Number of Workers												
Unmarried, 1 worker		32	17		55	63		11	15		2	5
Married, 1 worker		5	4		43	31		41	44		11	21
Married, 2 workers		5	2		33	21		48	55		16	22
No workers, retired, housewife		39	33		51	49		9	15		1	3
Belt Code												
Central cities in 12 largest SMSAs	46	37	27	44	42	42	8	17	26	2	4	5
Central cities in other SMSAs	26	23	14	46	43	41	22	28	32	6	6	13
Suburbs of 12 largest SMSAs	12	8	13	44	40	38	37	41	37	7	11	12
Suburbs of other SMSAs	12	9	10	44	46	38	34	37	35	10	8	17
Adjacent	12	11	10	45	44	40	32	34	36	11	11	14
Outlying	19	14	14	40	44	34	29	30	35	12	12	17

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*Less than 0.5 percent; Source: 1977 SCF, Table D-31.

VEHICLE TABLE 3
NUMBER OF CARS OWNED BY INCOME, AGE, LIFE CYCLE, EDUCATION REGION, AND NUMBER OF WORKERS - 1967, 1970 AND 1977

(Percentage Distribution of All Families)

	Number of Cars											
	None			One			Two			Three or More		
	1967	1970	1977	1967	1970	1977	1967	1970	1977	1967	1970	1977
All families	22%	18%	17%	53%	54%	51%	22%	24%	26%	3%	4%	6%
Family Income Quintile												
Lowest	57	51	46	39	44	46	4	4	7	*	*	1
Second	28	22	17	60	67	65	11	10	17	1	1	1
Third	13	8	7	67	65	62	18	25	26	2	2	5
Fourth	6	5	7	62	55	44	28	35	41	4	5	8
Highest	5	4	5	38	37	30	48	47	49	9	12	16
Age of Family Head												
Younger than 25	19	18	22	67	67	57	13	14	20	1	1	1
25-34	14	12	13	64	62	58	20	24	27	2	2	2
35-44	12	10	10	52	52	45	31	33	35	5	5	10
45-54	14	10	11	46	46	39	33	35	36	7	9	14
55-64	24	19	17	51	52	49	21	24	28	4	5	6
65 or older	44	41	32	48	49	56	7	9	11	1	1	1
Life Cycle of Family Head												
Under age 45												
Unmarried, no children	34	32	24	58	61	66	6	7	9	2	*	1
Married, no children	4	4	7	64	62	55	28	29	34	4	5	4
Married, youngest child under age 6	8	5	10	65	64	52	24	29	33	3	2	5
Married, youngest child age 6 or older	5	4	6	52	52	40	38	39	43	5	5	11
Age 45 or Older												
Married, has children	10	9	8	44	40	36	37	40	42	9	11	14
Married, no children, head in labor force	9	7	7	54	51	45	31	34	37	6	8	11
Married, no children, head retired	27	22	17	64	61	58	8	15	23	1	2	2
Unmarried, no children, head in labor force	40	35	32	51	55	61	8	9	6	1	1	1
Unmarried, no children, head retired	71	61	48	26	37	49	3	2	2	*	*	1
Any Age												
Unmarried, has children	45	45	29	45	46	55	8	8	13	2	1	3
Education of Family Head												
8th grade or less	35	34	34	50	52	49	14	12	15	1	2	2
Some high school	25	20	23	49	54	54	21	22	18	5	4	5
High school graduate	14	12	10	56	56	55	25	28	30	5	4	5
Some college	10	10	15	60	56	51	27	28	27	3	6	7
College graduate	12	9	8	54	50	42	30	36	40	4	5	10
Region												
Northeast	29	18	21	52	51	50	16	27	24	3	4	5
North Central	17	15	14	54	58	52	25	23	27	4	4	7
South	24	22	18	52	54	50	21	21	27	3	3	5
West	16	13	16	55	50	52	25	31	27	4	6	5
Number of Workers												
Unmarried, 1 worker	NA	34	22	NA	55	66	NA	10	11	NA	1	1
Married, 1 worker		7	9		58	50		31	33		4	8
Married, 2 workers		4	5		48	41		39	44		9	10
No workers, retired, housewife		43	38		51	51		5	10		1	1
Belt Code												
Central cities in 12 largest SMSAs	46	38	30	44	44	47	8	16	19	2	2	4
Central cities in other SMSAs	27	24	17	51	49	48	19	23	26	3	4	8
Suburbs of 12 largest SMSAs	12	9	16	51	46	45	32	36	32	5	9	7
Suburbs of other SMSAs	13	11	15	53	54	48	29	32	30	5	3	7
Adjacent	14	14	15	59	57	57	23	25	24	4	4	4
Outlying	24	17	20	56	63	57	18	16	20	2	4	3

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*Less than 0.5 percent; Source: 1977 SCF, Table D-33.

Survey Research Center
Economic Behavior Program

1977 Survey of Consumer Finances

VEHICLE TABLE 4
NUMBER OF TRUCKS OWNED BY INCOME, AGE, LIFE CYCLE, EDUCATION, REGION AND NUMBER OF WORKERS - 1967, 1970, 1977

(Percentage Distribution of all Families)

	Number of Trucks								
	No Trucks			One Truck			Two or More Trucks		
	1967	1970	1977	1967	1970	1977	1967	1970	1977
All families	83%	81%	75%	14%	16%	22%	3%	3%	3%
Family Income Quintile									
Lowest	91	90	87	8	10	12	1	*	1
Second	85	81	77	13	15	20	2	4	3
Third	82	75	71	14	21	26	4	4	3
Fourth	78	80	68	19	17	29	3	3	3
Highest	81	81	68	15	16	26	4	3	6
Age of Family Head									
Younger than 25	91	93	81	8	7	19	1	*	*
25-34	82	80	72	15	18	26	3	2	2
35-44	80	76	68	16	20	24	4	4	8
45-54	79	75	69	17	20	26	4	5	5
55-64	81	82	74	16	16	22	3	2	4
65 or older	90	89	89	9	9	11	1	2	*
Life Cycle of Family Head									
Under age 45									
Unmarried, no children	94	98	87	5	2	11	1	*	2
Married, no children	86	81	68	13	17	29	1	2	3
Married, youngest child under age 6	81	78	67	17	20	30	2	2	3
Married, youngest child age 6 or older	72	71	61	21	24	32	7	5	7
Age 45 or Older									
Married, has children	75	72	69	20	22	25	5	6	6
Married, no children, head in labor force	75	74	68	20	21	26	5	5	6
Married, no children, head retired	86	83	77	14	15	23	*	2	*
Unmarried, no children, head in labor force	96	93	83	3	7	16	1	*	1
Unmarried, no children, head retired	96	96	96	4	4	4	*	*	*
Any Age									
Unmarried, has children	97	93	92	3	6	7	*	1	1
Education of Family Head									
8th grade or less	81	74	76	16	22	20	3	4	4
Some high school	80	79	76	16	17	21	4	4	3
High school graduate	83	79	70	14	18	26	3	3	4
Some college	84	89	77	13	10	21	3	1	2
College graduate	94	93	81	5	6	17	1	1	2
Region									
Northeast	94	91	85	5	7	14	1	2	1
North Central	84	81	76	12	16	21	4	3	3
South	80	77	73	17	19	24	3	4	3
West	74	76	68	23	21	27	3	3	5
Number of Workers									
Unmarried, 1 worker	NA	95	85	NA	5	14	NA	*	1
Married, 1 worker		75	65		21	29		4	6
Married, 2 workers		75	68		21	28		4	4
No workers, retired, housewife		92	89		7	11		1	*
Belt Code									
Central cities in 12 largest SMSAs	99	96	89	1	4	10	*	*	1
Central cities in other SMSAs	91	89	83	8	9	16	1	2	1
Suburbs of 12 largest SMSAs	90	91	85	9	9	14	1	*	1
Suburbs of other SMSAs	85	83	75	13	16	21	2	1	4
Adjacent	76	74	68	20	22	27	4	4	5
Outlying	69	68	57	24	25	37	7	7	6

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*Less than 0.5 percent; Sou[illegible]

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VEHICLE TABLE 5

TYPE OF VEHICLE OWNERSHIP BY INCOME, AGE, REGION, NUMBER OF ADULTS, NUMBER OF WAGE EARNERS, AND BELT CODE - 1967, 1970 AND 1977

(Percentage distribution of all families)[a]

	No Vehicles			One Car			Mult. Car, no truck			Combination cars, trucks			Truck only		
	1967	1970	1977	1967	1970	1977	1967	1970	1977	1967	1970	1977	1967	1970	1977
All families	20%	16%	13%	42%	41%	36%	21%	25%	27%	15%	16%	20%	2%	2%	4%
Family Income Quintile															
Lowest quintile	54	46	39	34	39	40	3	4	7	5	6	7	4	5	7
Second	25	19	11	50	53	51	10	10	15	12	15	17	3	3	6
Third	12	5	3	55	46	41	15	24	27	17	23	26	1	2	3
Fourth	5	4	4	46	41	23	27	36	41	21	20	29	1	*	3
Fifth	5	4	3	27	27	12	49	50	53	19	19	31	*	*	1
Age of Head															
Younger than 25	17	17	17	60	62	46	14	15	17	7	5	14	2	1	5
25-34	13	11	8	51	45	39	18	24	25	17	19	23	1	1	4
35-44	11	9	5	39	36	25	30	32	38	19	22	28	1	1	4
45-54	12	7	7	35	31	22	32	37	40	19	22	26	2	3	4
55-64	22	17	10	38	41	34	21	24	29	16	16	22	3	2	5
65 or older	42	36	29	42	44	49	6	9	10	8	7	9	2	4	3
Region															
Northeast	29	17	16	47	45	39	17	28	27	7	9	13	*	1	2
North Central	16	15	10	45	43	38	23	25	28	15	16	20	1	1	4
South	21	18	13	39	40	33	20	20	26	17	18	22	3	4	5
West	14	11	10	36	37	32	24	28	25	24	22	27	2	2	6
Number of Adults in Family															
One	54	45	33	40	50	53	3	2	4	2	1	5	1	2	*
Two	11	8	6	46	42	32	23	27	32	18	20	25	2	3	1
Three or more	7	6	4	27	26	17	42	43	46	22	23	30	2	2	1
Number of Wage Earners in Family															
Head married, one earner	8	7	6	46	43	30	26	25	30	18	22	28	2	3	5
Head married, two earners	5	4	3	39	34	24	38	38	43	17	23	28	1	1	2
Head not married	48	41	30	42	47	54	6	7	6	3	3	5	1	2	4
Belt															
Central cities of 12 largest SMSA's	46	37	26	44	42	40	9	17	23	1	4	8	*	*	3
Central cities of other SMSA's	26	23	15	46	42	38	19	24	30	8	10	13	1	1	3
Suburban areas of 12 largest SMSA's	12	8	13	44	39	36	34	43	35	10	9	12	*	1	3
Suburban areas of other SMSA's	12	9	10	43	44	33	29	31	32	15	14	20	1	2	5
Adjacent areas of SMSA's	12	11	10	44	41	36	20	23	21	23	22	27	1	3	5
Outlying areas of SMSA's	19	13	14	36	41	29	14	14	14	26	28	37	5	4	6
Education of Head															
8th grade or less	32	27	26	38	36	35	11	11	14	15	20	17	4	5	7
Some high school	23	18	19	36	39	38	20	22	19	19	19	20	2	3	4
High school graduate	13	11	7	45	40	36	25	28	27	16	20	27	1	2	3
Some college	10	10	11	48	49	35	26	30	31	16	11	20	*	*	3
College graduate	11	8	5	50	47	32	32	38	44	7	7	16	*	*	3

(continued)

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VEHICLE TABLE 3 (cont'd)

	No Vehicles			One Car			Mult. Car, No Truck			Combination Cars, Trucks			Truck Only		
	1967	1970	1977	1967	1970	1977	1967	1970	1977	1967	1970	1977	1967	1970	1977
Life Cycle of Head															
Younger than Age 45															
Unmarried, no children	33	31	18	54	60	62	7	8	7	4	1	6	2	*	1
Married, no children	4	2	4	52	50	32	30	29	32	13	17	28	1	2	*
Married, youngest child under age 6	6	4	4	51	46	30	23	28	32	18	21	28	2	1	1
Married, youngest child age 6 or older	4	2	3	33	32	14	34	36	44	28	28	36	1	2	*
Age 45 or Older															
Married, has children	8	6	4	31	26	19	35	40	46	24	26	27	2	2	4
Married, no children, head in labor force	7	6	3	37	32	24	31	36	40	23	24	29	2	2	3
Married, no children, head retired	22	16	11	56	54	44	8	13	22	9	11	17	5	6	5
Unmarried, no children, head in labor force	40	30	25	48	54	54	7	9	4	5	2	11	*	5	6
Unmarried, no children, head retired	70	59	44	24	35	48	3	2	3	2	2	1	2	2	3
Any Age															
Unmarried, has children	45	43	27	43	42	50	8	8	15	4	5	6	*	2	2

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[a] Some rows for 1977 may not sum to 100% due to missing data on type of vehicle owned.

[*] Less than 0.5 percent.

Source: 1977 SCF Tables D-3, D5b and D5c.

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VEHICLE TABLE 6

YEAR VEHICLE PURCHASED BY NUMBER OF VEHICLES OWNED, NEW OR USED VEHICLE, AND TYPE OF VEHICLE

(Percentage distribution of vehicles owned - August, 1977)

	All	Purchased		Number of Vehicles Owned			Type of Vehicle	
	Vehicles	New	Used	One	Two	Three	Cars	Trucks
1977	20%	16%	24%	19%	19%	22%	20%	20%
1976	20	18	21	19	20	20	19	23
1975	14	12	17	14	15	14	14	16
1974	11	11	11	11	11	11	11	11
1972-73	17	19	14	17	17	15	18	13
1970-71	9	11	7	10	9	8	9	8
1968-69	4	6	3	4	5	4	4	4
1965-67	3	5	1	4	2	4	3	2
1960-64	1	1	1	1	1	1	1	1
1959 or earlier	*	*	*	*	*	*	*	1
Not ascertained	1	1	1	1	1	1	1	1
Total	100%	100%	100%	100%	100%	100%	100%	100%
Average # of months owed	40	47	33	42	40	38	40	37
(Standard deviation)	38	42	31	39	37	38	37	38

---

*Less than 0.5 percent.

Source: 1977 SCF, Table D-40.

VEHICLE TABLE 7

Number of Vehicles Purchased, Amount Spent and Amount Borrowed by Income, Age, Life Cycle, Education, Region, Number of Workers and Belt Code--1977
(Percentage Distribution of All Families)

	Did Not Purchase	Purchased One Vehicle	Purchased 2 or more Vehicles	Total	Cases	Used Credit[a]	Average Amount Spent on Vehicle Purchases[b]	Average Amount Borrowed Vehicle Purchases[c]
All families	65%	30%	5%	100%	2,563	56%	$4,060	$3,550
Family Income Quintile								
Lowest	82	17	1	100%	454	50	1,810	2,160
Second	68	29	3	100%	432	54	2,900	2,650
Third	61	34	5	100%	541	63	3,450	3,080
Fourth	56	37	7	100%	407	61	4,340	3,830
Highest	54	38	8	100%	386	56	6,210	4,800
Age of Family Head								
Younger than 25	60	36	4	100%	225	63	2,750	2,840
25 - 34	63	33	4	100%	587	63	3,670	3,680
35 - 44	53	40	7	100%	402	56	3,970	4,040
45 - 54	58	34	8	100%	437	58	4,720	3,660
55 - 64	69	26	5	100%	429	54	4,690	3,050
65 or older	85	14	1	100%	472	29	4,370	2,890
Life Cycle of Family Head								
Under age 45								
Unmarried, no children	74	25	1	100%	221	65	3,360	3,050
Married, no children	58	37	5	100%	200	59	4,120	3,800
Married, youngest child under age 6	53	40	7	100%	406	59	3,350	3,470
Married, youngest child age 6 or older	50	41	9	100%	250	63	4,030	4,280
Age 45 or Older								
Married, has children	51	39	10	100%	258	63	3,840	3,270
Married, no children, head in labor force	64	31	5	100%	362	53	5,650	3,810
Married, no children, head retired	77	20	3	100%	262	31	4,850	3,310
Unmarried, no children, head in labor force	84	14	2	100%	132	48	3,530	2,200
Unmarried, no children, head retired	89	10	1	100%	270	30	3,710	2,680
Any Age								
Unmarried, has children	71	27	2	100%	182	62	3,420	2,870
Education of Family Head								
8th grade or less	74	21	5	100%	450	62	3,850	3,320
Some high school	65	32	3	100%	406	54	3,310	3,260
High School graduate	64	31	5	100%	769	57	4,050	3,650
Some college	62	33	5	100%	484	56	3,910	3,190
College graduate	75	25	*	100%	430	54	5,080	4,190
Region								
Northeast	69	28	3	100%	540	53	3,670	2,660
North Central	63	31	4	100%	740	56	4,040	3,360
South	63	32	5	100%	807	58	4,190	4,050
West	68	27	5	100%	476	57	4,280	3,790
Number of Workers								
Unmarried, 1 worker	72	25	3	100%	466	62	3,620	3,060
Married, 1 worker	57	36	7	100%	822	53	4,150	3,580
Married, 2 workers	54	39	7	100%	642	65	4,300	3,870
No workers, retired, housewife	83	16	1	100%	629	35	3,630	2,525
Belt Code								
Central Cities of 12 largest SMSA's	71	27	2	100%	189	60	3,180	3,250
Central Cities of other SMSA's	65	30	5	100%	490	57	4,070	3,710
Suburbs of 12 largest SMSA's	68	29	3	100%	375	52	4,510	3,570
Suburbs of other SMSA's	62	31	7	100%	585	57	4,600	4,020
Adjacent Areas	64	30	6	100%	586	58	3,690	3,140
Outlying Areas	69	28	3	100%	338	55	3,670	3,210

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[a] Percent of all vehicle purchases.

[b] Families who purchased vehicles only.

[c] Families who borrowed for vehicle purchases only.

Source: 1977 SCF. Table D-36.

VEHICLE TABLE 8

Type of Vehicle Purchases by Income, Age, Life Cycle, Education, Region, Number, of Workers, and Belt Code-1977
(Percentage Distribution of All Families)

		PURCHASES BY TYPE OF VEHICLE[a]					
		New Vehicle		Used Vehicle			
	Did Not Purchase	Car	Truck	Car	Truck	Not Ascertained	Total
All Families	65%	11%	3%	15%	4%	5%	100%
Family Income Quintile							
Lowest	82	1	1	14	2	1	100%
Second	68	7	3	18	4	2	100%
Third	61	11	3	17	7	5	100%
Fourth	56	17	5	17	4	7	100%
Highest	54	21	4	13	3	11	100%
Age of Family Head							
Younger than 25	60	7	3	25	6	2	100%
25 - 34	63	11	4	17	5	4	100%
35 - 44	53	12	5	23	4	9	100%
45 - 54	58	16	3	16	4	9	100%
55 - 64	69	12	3	11	4	4	100%
65 or older	85	8	*	5	*	1	100%
Life Cycle of Family Head							
Under age 45							
Unmarried, no children	74	7	2	15	2	2	100%
Married, no children	58	15	3	19	7	3	100%
Married, youngest child under age 6	53	9	5	26	6	6	100%
Married, youngest child age 6 or older	50	15	6	20	6	11	100%
Age 45 or Older							
Married, has children	51	15	2	21	8	11	100%
Married, no children, head in labor force	64	17	4	12	2	5	100%
Married, no children, head retired	77	11	3	8	1	1	100%
Unmarried, no children, head in labor force	84	5	*	5	4	2	100%
Unmarried, no children, head retired	89	5	*	6	*	1	100%
Any Age							
Unmarried, has children	71	9	1	15	2	3	100%
Education of Family Head							
8th grade or less	74	6	2	13	4	3	100%
Some high school	65	9	3	19	3	4	100%
High school graduate	64	10	4	16	4	6	100%
Some college	62	13	2	15	4	5	100%
College graduate	75	18	3	13	3	6	100%
Region							
Northeast	69	9	2	16	2	3	100%
North Central	63	12	3	16	3	6	100%
South	63	12	3	16	4	4	100%
West	68	10	3	12	5	7	100%
Number of Workers							
Unmarried, 1 worker	72	9	2	13	3	3	100%
Married, 1 worker	57	13	4	19	5	7	100%
Married, 2 workers	54	15	5	19	5	7	100%
No workers, retired, housewife	83	6	1	8	1	1	100%
Belt Code							
Central City 12 largest SMSA's	71	9	1	15	2	3	100%
Central of other SMSA's	65	13	2	16	3	5	100%
Suburbs of 12 largest SMSA's	68	12	2	15	2	3	100%
Suburbs of other SMSA's	62	14	3	16	4	5	100%
Adjacent Areas	64	10	4	16	4	6	100%
Outlying Areas	69	6	4	12	6	6	100%

---

[a] Percents sum to more than 100 percent due to multiple vehicle purchases.

*Less than 0.5 percent.

Source: 1977 SCF, Table D-37.

VEHICLE TABLE 9

PRICE PAID FOR NEW AND USED CAR PURCHASES — 1977

(Percentage distribution of purchases)

Amount Paid for New Cars	1965	1967	1969	1977[a]
Less than $2,000[b]	5%	8%	3%	2%
$2,000-2,999	34	29	21	1
$3,000-3,499	26	26	23	4
$3,500-4,999	35	37	53	24
$5,000-5,999				21
$6,000-6,999				21
$7,000 or more				27
Total	100%	100%	100%	100%
Average price of new cars	$3,260	$3,290	$3,690	$6,060
Average price adjusted (1967=100)	99	100	112	184
Consumer Price Index for New Autos (1967=100)	--	100	104	141

Amount Paid for Used Cars	1965	1967	1969	1977[a]
Less than $500[b]	44%	39%	32%	26%
$500-999	20	20	20	17
$1,000-1,499	17	15	17	11
$1,500-1,999	6	10	12	12
$2,000 or more	13	16	19	34
Total	100%	100%	100%	100%
Average price of used cars	$910	$1,050	$1,170	$1,780
Average price adjusted (1967=100)	87	100	111	170
Consumer Price Index for Used Autos (1967=100)	--	100	103	186

---

[*] Less than 0.5 percent.

[a] 1977 is the 12 month period from August 1976 through July 1977.

[b] Includes cars received as gifts.

[illegible] Price Indices from Survey of Current Business (1977 figure is August 1977

VEHICLE TABLE 10

Average Purchase Price and Amount Borrowed for Vehicle Purchases by Income, Age, Life Cycle, Education, Region, Number of Workers, and Belt Code--1977

	Did Not Purchase	Purchased Vehicle	Total	Used Credit For Vehicle Purchase[a]		Average Price Per Vehicle Purchase		Average Amount Borrowed Per Vehicle Purchase	
				New	Used	New	Used	New	Used
All families	65%	35%	100%	63%	49%	$6,060	$1,810	$4,430	$2,150
Family Income Quintile									
Lowest	82	18	100%	70	48	5,660	1,000	3,830	1,540
Second	68	32	100%	60	51	5,460	1,680	4,000	2,170
Third	61	39	100%	71	54	5,340	1,780	4,140	1,970
Fourth	56	44	100%	70	53	5,920	1,900	4,410	2,410
Highest	54	46	100%	59	51	6,910	2,210	4,900	2,880
Age of Family Head									
Younger than 25	60	40	100%	86	53	4,800	1,780	4,010	2,290
25 - 34	63	37	100%	81	49	5,820	1,660	4,740	2,170
35 - 44	53	47	100%	75	44	6,410	1,900	4,960	2,530
45 - 54	58	42	100%	57	56	6,400	1,740	4,240	1,750
55 - 64	69	31	100%	51	56	6,360	1,710	3,770	2,080
65 or older	85	15	100%	27	33	5,700	2,000	3,870	1,920
Life Cycle of Family Head									
Under age 45									
Unmarried, no children	74	26	100%	65	66	6,090	1,690	4,610	1,970
Married, no children	58	42	100%	77	45	6,060	1,810	4,630	2,690
Married, youngest child under age 6	53	47	100%	81	47	5,840	1,700	5,210	1,950
Married, youngest child age 6 or older	50	50	100%	89	43	5,960	1,930	4,450	3,200
Age 45 or Older									
Married, has children	51	49	100%	59	63	5,920	1,640	4,160	2,070
Married, no children, head in labor force	64	36	100%	57	45	6,760	1,650	4,080	1,450
Married, no children, head retired	77	23	100%	31	33	6,110	2,040	3,950	1,540
Unmarried, no children head in labor force	84	16	100%	25	67	4,720	2,000	5,100	1,540
Unmarried, no children, head retired	89	11	100%	33	27	5,400	2,230	2,860	2,490
Any Age									
Unmarried, has children	71	29	100%	63	62	5,290	1,670	3,870	2,660
Education of Family Head									
8th grade or less	74	26	100%	69	58	6,280	1,390	4,680	1,650
Some high school	65	35	100%	63	48	5,830	1,500	4,500	2,240
High school graduate	64	36	100%	69	49	5,960	2,100	4,360	2,270
Some college	62	38	100%	58	52	5,890	2,220	4,010	2,430
College graduate	75	25	100%	59	44	6,710	2,730	4,710	2,620
Region									
Northeast	69	31	100%	60	63	5,920	1,750	3,730	1,690
North Central	63	37	100%	61	46	5,830	1,620	4,130	2,080
South	63	37	100%	80	53	6,140	1,880	4,630	2,510
West	68	32	100%	28	41	6,680	1,840	5,180	2,100
Number of Workers									
Unmarried, 1 worker	72	28	100%	63	48	5,750	1,630	4,720	2,000
Married, 1 worker	57	43	100%	60	51	6,520	2,210	4,420	2,500
Married, 2 workers	54	46	100%	67	51	6,310	2,230	4,420	2,190
No workers, retired, housewife	83	17	100%	63	49	5,160	1,390	4,180	1,680
Belt Code									
Central cities 12 largest SMSAs	71	29	100%	80	47	5,600	1,320	4,230	1,830
Central cities other SMSAs	65	35	100%	61	55	6,310	1,670	4,800	2,160
Suburbs of 12 largest SMSA's	68	32	100%	54	49	6,570	2,100	4,970	2,350
Suburbs of other SMSA's	62	38	100%	70	42	6,360	1,620	4,580	2,450
Adjacent Areas	64	36	100%	67	53	5,690	1,730	3,920	1,850
Outlying Areas	69	31	100%	46	56	5,420	2,070	3,740	2,130

---

[a] Percent of vehicle purchasers

Source: 1977 SCF, Table D-38.

VEHICLE TABLE 11

AGE DISTRIBUTION OF USED VEHICLES PURCHASED

(Percentage distribution of used car purchases)

Age[a] of Car at Time of Purchase	Age Distribution 1964	1965	1966	1967	1968	1969	Age of Used Cars 1977	Age of Used Trucks 1977	Age of Used Vehicles 1977
1 year or less	13%	11%	13%	14%	12%	14%	11%	8%	10%
2-4 years	27	29	27	34	30	36	31	31	31
5-7 years	29	29	32	25	32	29	25	21	24
8-10 years	19	20	17	16	15	14	21	15	20
11 or more years	12	11	11	11	11	7	12	25	15
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Average Age (years)	b	6.8	6.8	6.4	6.7	6.0	5.9	7.8	6.3
Standard Deviation (years)	b	b	b	b	b	3.4	3.9	6.4	4.6

---

[a] Based on model, year; one year or less for 1969 stands for 1968, 1969, or 1970 mo cars. One year or less for 1977 stands for 1976 or 1977 model cars.

[b] Not available.

Source: 1977 SCF, Table D-19.

VEHICLE TABLE 12

METHOD OF FINANCING NEW AND USED VEHICLE PURCHASES

(Percentage distribution of purchases)

Financing Method[a]	New Car Purchases 1965	1967	1969	1977	New Truck Purchases 1977	New Vehicle Purchases 1977
Cash	37%	31%	34%	34%	31%	34%
Installment or other borrowing	62	68	66	61	68	63
Gift	1	1	*	2	1	1
Lease	*	*	*	3	*	2
Total	100%	100%	100%	100%	100%	100%

Financing Method[a]	Used Car Purchases 1965	1967	1969	1977	Used Truck Purchases 1977	Used Vehicle Purchases 1977
Cash	52%	50%	52%	45%	44%	45%
Installment or other borrowing	45	48	45	49	52	49
Gift	3	2	3	4	3	4
Lease	*	*	*	*	1	*
Other[b]	*	*	*	2	*	2
Total	100%	100%	100%	100%	100%	100%

---

*Less than 0.5%.

[a] Cash and borrowing include purchases that included trade-ins in combination with cash or borrowing.

[b] Other forms of financing include trade-ins without cash or borrowing.

Source: 1977 SCF, Table D-12.

VEHICLE TABLE 13

AMOUNT BORROWED ON NEW-USED CAR AND VEHICLE PURCHASES -- 1969 AND 1977

(Percentage distribution of purchases)

Amount[a]	New Cars		New Trucks	New Vehicles	Used Cars		Used Trucks	Used Vehicles
	1969	1977	1977	1977	1969	1977	1977	1977
Zero[b]	35%	39%	32%	37%	55%	51%	48%	51%
$1-999	2	*	*	*	24	9	9	9
$1,000-1,999	19	2	*	2	13	12	10	11
$2,000-2,499	16	5	4	5	4	8	4	7
$2,500-2,999	26	5	2	4	2	4	3	4
$3,000-3,999		12	12	12		4	7	4
$4,000-4,999		13	11	13		1	3	2
$5,000 or more		17	31	20		2	3	2
Not ascertained	2	7	8	7	2	8	13	10
Total	100%	100%	100%	100%	100%	100%	100%	100%
Average amount borrowed	$2280	$4230	$5110	$4430	$1060	$2,010	$2700	$2150

---

[*] Less than 0.5%.

[a] Current dollars.

[b] Includes cars received as gifts.

Source: 1977 SCF, Table D-18.

VEHICLE TABLE 14

VEHICLE LOAN MATURITIES

(For loans made within a year of the survey)

Average Maturity (in months)	1960	1963	1966	1969	1977
New vehicles	30%	31%	31%	32%	38%
Used vehicles	20	20	23	25	28
All vehicles	24	24	27	28	33

Source: 1977 SCF, Table D-31.

VEHICLE TABLE 15

NEW VEHICLE LOAN MATURITIES BY INCOME, AGE, LIFE CYCLE EDUCATION, REGION AND NUMBER OF WORKERS -- 1977

(Percentage Distribution of 1977 New Vehicle Purchasers with Vehicle Loans)

	Length of Longest New Vehicle Maturity - 1977					
	Two Years or less	25-36 Months	37-48 Months	Longer than 4 years	Total	Average Maturity Length (months)
All families	12%	54%	32%	2%	100%	38
Family Income Quintile						
Lowest	43	14	43	*	100%	33
Second	*	74	26	*	100%	38
Third	10	55	33	2	100%	37
Fourth	15	45	38	2	100%	38
Highest	10	57	28	5	100%	38
Age of Family Head						
Younger than 25	6	69	25	*	100%	37
25-34	8	47	45	*	100%	39
35-44	8	59	27	6	100%	39
45-54	12	58	28	2	100%	37
55-64	25	50	21	4	100%	36
65 or older	33	45	22	*	100%	34
Life Cycle of Family Head						
Under age 45						
Unmarried, no children	*	67	33	*	100%	39
Married, no children	9	59	27	5	100%	38
Married, youngest child under age 6	5	39	54	2	100%	40
Married, youngest child age 6 or older	14	63	21	2	100%	36
Age 45 or Older						
Married, has children	15	54	27	4	100%	35
Married, no children head in labor force	14	55	28	3	100%	39
Married, no children, head retired	30	50	20	*	100%	34
Unmarried, no children, head in labor force	-	-	-	-	-	-
Unmarried, no children head retired	67	33	*	*	100%	21
Any Age						
Unmarried, has children	*	63	37	*	100%	38
Education of Family Head						
8th grade or less	25	46	21	8	100%	37
Some high school	8	59	33	*	100%	38
High school graduate	11	53	33	3	100%	39
Some college	8	66	26	*	100%	37
College graduate	12	47	39	2	100%	37
Region						
Northeast	16	62	19	3	100%	36
North Central	14	46	41	*	100%	37
South	11	57	29	3	100%	37
West	6	53	35	6	100%	38
Number of Workers						
Unmarried, 1 worker	4	58	38	*	100%	38
Married, 1 worker	15	47	34	4	100%	37
Married, 2 workers	8	59	31	2	100%	38
No workers, retired, housewife	36	46	18	*	100%	31

---

*Less than 0.5 per[illegible]

Source: 1977 SCF, Table D-32.

VEHICLE TABLE 16

INSTALLMENT DEBT ON VEHICLES BY INCOME, AGE, LIFE CYCLE AND EDUCATION 1970 AND 1977

(Percent of all families)

	Percent with Auto Debt		Median Total Remaining Installment Debt on Vehicle Loans		Median Outstanding Monthly Payments on Vehicle Loans	
	1970	1977	1970	1977	1970	1977
ll families	29%	32%	$1180	$2475	$76	$123
amily Income Quintile						
Lowest	9	14	540	1300	45	93
Second	23	27	900	1920	57	102
Third	36	43	1180	2410	70	116
Fourth	42	48	1180	2910	80	135
Highest	35	40	1540	3260	92	140
ge of Family Head						
Younger than 25	42	41	1085	2180	65	110
25-34	41	44	1350	2525	75	116
35-44	35	43	1350	2895	75	135
45-54	33	39	980	2875	80	130
55-64	21	26	790	2000	71	111
65 or older	3	6	1050[b]	1930	82[b]	103
ife Cycle of Family Head						
Under Age 45						
Unmarried, no children	28	27	1220	1870	78	106
Married, no children	49	49	1140	2120	77	125
Married, youngest child under age 6	41	49	1030	2630	70	115
Married, youngest child age 6 or older	44	50	1280	2910	80	135
Age 45 or Older						
Married, has children	36	46	1220	2440	85	116
Married, no children, head in labor force	26	30	1090	2720	76	133
Married, no children, head retired	5	12	1210	2640	69	112
Unmarried, no children, head in labor force	12	15	810	1250	60	114
Unmarried, no children, head retired	3	5	1150	1770	82	103
Any Age						
Unmarried, has children	27	26	1070	2250	68	104
ducation of Family Head						
8th grade or less	17	22	830	1860	58	113
Some high school	29	30	920	2390	75	120
High school graduate	37	37	1290	2400	77	125
Some college	33	35	1060	2460	70	114
College graduate	27	34	1380	3100	85	130

---

[a] In current dollars. [b] Less than 25 cases. Source: 1977 SCF, Table D-39.

VEHICLE TABLE 17

OUTSTANDING VEHICLE LOANS BY INCOME, AGE, LIFE CYCLE, EDUCATION, REGION AND NUMBER OF WORKERS -- 1977

(Percentage Distribution of Vehicle Owning Families)

	Number of Outstanding Vehicle Loans			
	None	One	Two or More	Total
All families	63%	31%	6%	100%
Family Income Quintile				
Lowest	77	21	2	100%
Second	69	29	2	100%
Third	56	38	6	100%
Fourth	50	39	11	100%
Highest	58	32	10	100%
Age of Family Head				
Younger than 25	47	48	5	100%
25-34	51	42	7	100%
35-44	55	36	9	100%
45-54	59	32	9	100%
55-64	72	23	5	100%
65 or older	92	8	*	100%
Life Cycle of Family Head				
Under age 45				
Unmarried, no children	63	36	1	100%
Married, no children	47	44	9	100%
Married, youngest child under age 6	48	42	10	100%
Married, youngest child age 6 or older	49	42	9	100%
Age 45 or Older				
Married, has children	52	39	9	100%
Married, no children, head in labor force	69	23	8	100%
Married, no children, head retired	88	11	1	100%
Unmarried, no children, head in labor force	80	19	1	100%
Unmarried, no children, head retired	93	7	*	100%
Any Age				
Unmarried, has children	63	31	6	100%
Education of Family Head				
8th grade or less	71	24	5	100%
Some high school	63	31	6	100%
High school graduate	59	34	7	100%
Some college	60	35	5	100%
College graduate	64	29	7	100%
Region				
Northeast	66	30	4	100%
North Central	61	32	7	100%
South	60	33	7	100%
West	66	28	6	100%
Number of Workers				
Unmarried, 1 worker	64	33	3	100%
Married, 1 worker	60	33	7	100%
Married, 2 workers	48	41	11	100%
No workers, retired, housewife	88	11	1	100%

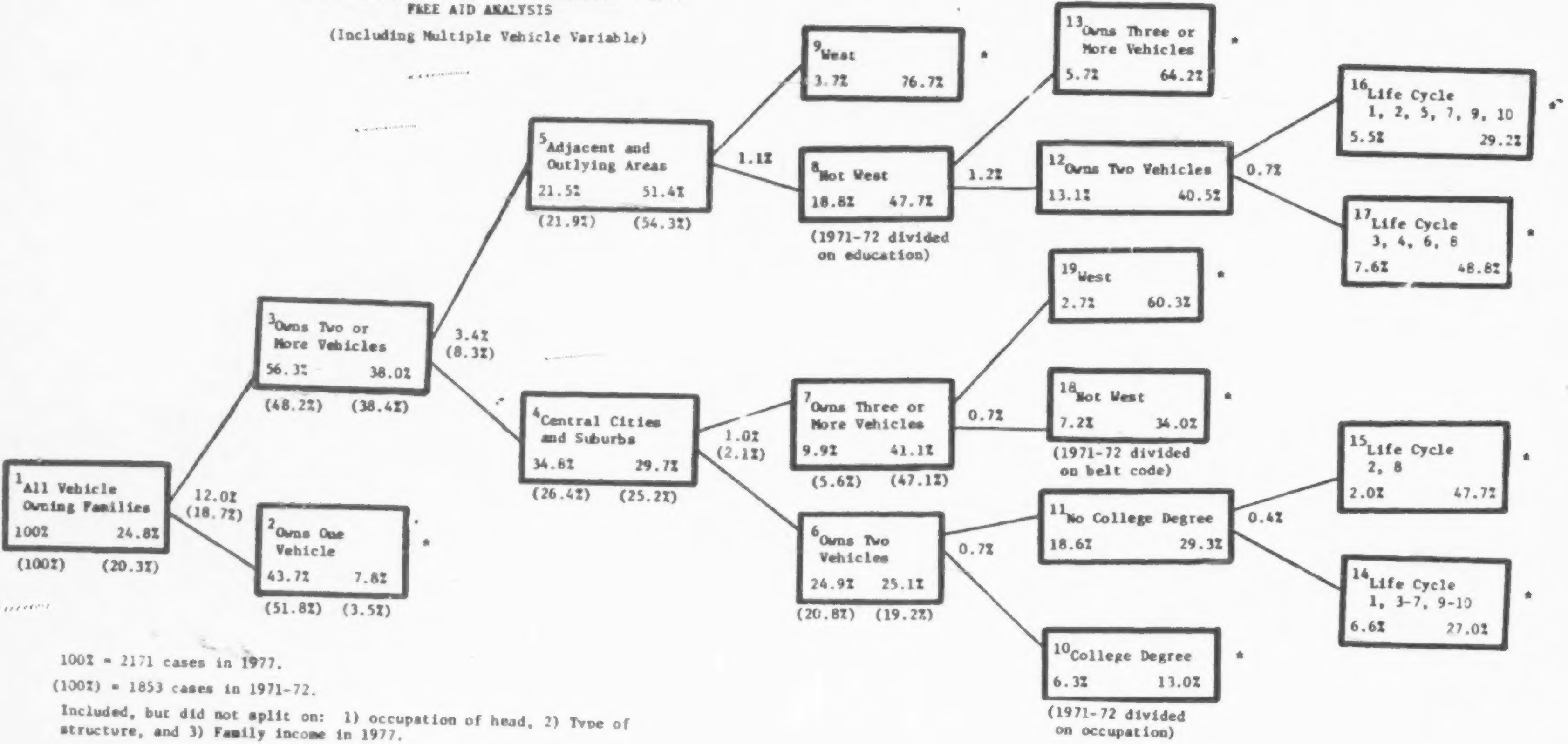
*Less than 0.5 percent.

Source: 1977 SCF, Table D-35.

VEHICLE TABLE 18

AID ANALYSIS OF LIGHT TRUCK OWNERSHIP - 1977
FREE AID ANALYSIS

(Including Multiple Vehicle Variable)


1 All Vehicle Owning Families
100% 24.8%
(100%) (20.3%)
12.0%
(18.7%)
2 Owns One Vehicle
43.7% 7.8%
(51.8%) (3.5%)
*
3 Owns Two or More Vehicles
56.3% 38.0%
(48.2%) (38.4%)
3.4%
(8.3%)
4 Central Cities and Suburbs
34.8% 29.7%
(26.4%) (25.2%)
5 Adjacent and Outlying Areas
21.5% 51.4%
(21.9%) (54.3%)
1.1%
9 West
3.7% 76.7%
*
8 Not West
18.8% 47.7%
(1971-72 divided on education)
1.2%
13 Owns Three or More Vehicles
5.7% 64.2%
*
12 Owns Two Vehicles
13.1% 40.5%
0.7%
16 Life Cycle
1, 2, 5, 7, 9, 10
5.5% 29.2%
*
17 Life Cycle
3, 4, 6, 8
7.6% 48.8%
*
1.0%
(2.1%)
7 Owns Three or More Vehicles
9.9% 41.1%
(5.6%) (47.1%)
0.7%
19 West
2.7% 60.3%
*
18 Not West
7.2% 34.0%
(1971-72 divided on belt code)
*
6 Owns Two Vehicles
24.9% 25.1%
(20.8%) (19.2%)
0.7%
11 No College Degree
18.6% 29.3%
0.4%
15 Life Cycle
2, 8
2.0% 47.7%
*
14 Life Cycle
1, 3-7, 9-10
6.6% 27.0%
*
10 College Degree
6.3% 13.0%
(1971-72 divided on occupation)
*

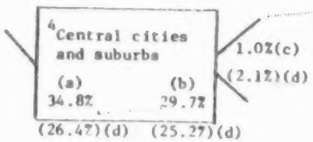
100% = 2171 cases in 1977.

(100%) = 1853 cases in 1971-72.

Included, but did not split on: 1) occupation of head, 2) Type of structure, and 3) Family income in 1977.

*Denotes final group.

Lower left number (a) represents percentage of all vehicle owning families in that cell for 1977; lower right number (b) represents percent of light truck owners in that cell in 1977; number (c) between lines to the right of the cell represents the percent of variance explained by the binary division for 1977; numbers (d) in parentheses represent percentages from analysis of 1971-72 SCF data.


4 Central cities and suburbs
(a) (b)
34.8% 29.7%
(26.4%)(d) (25.2%)(d)
1.0%(c)
(2.1%)(d)

See Appendix A for life cycle variable codes.

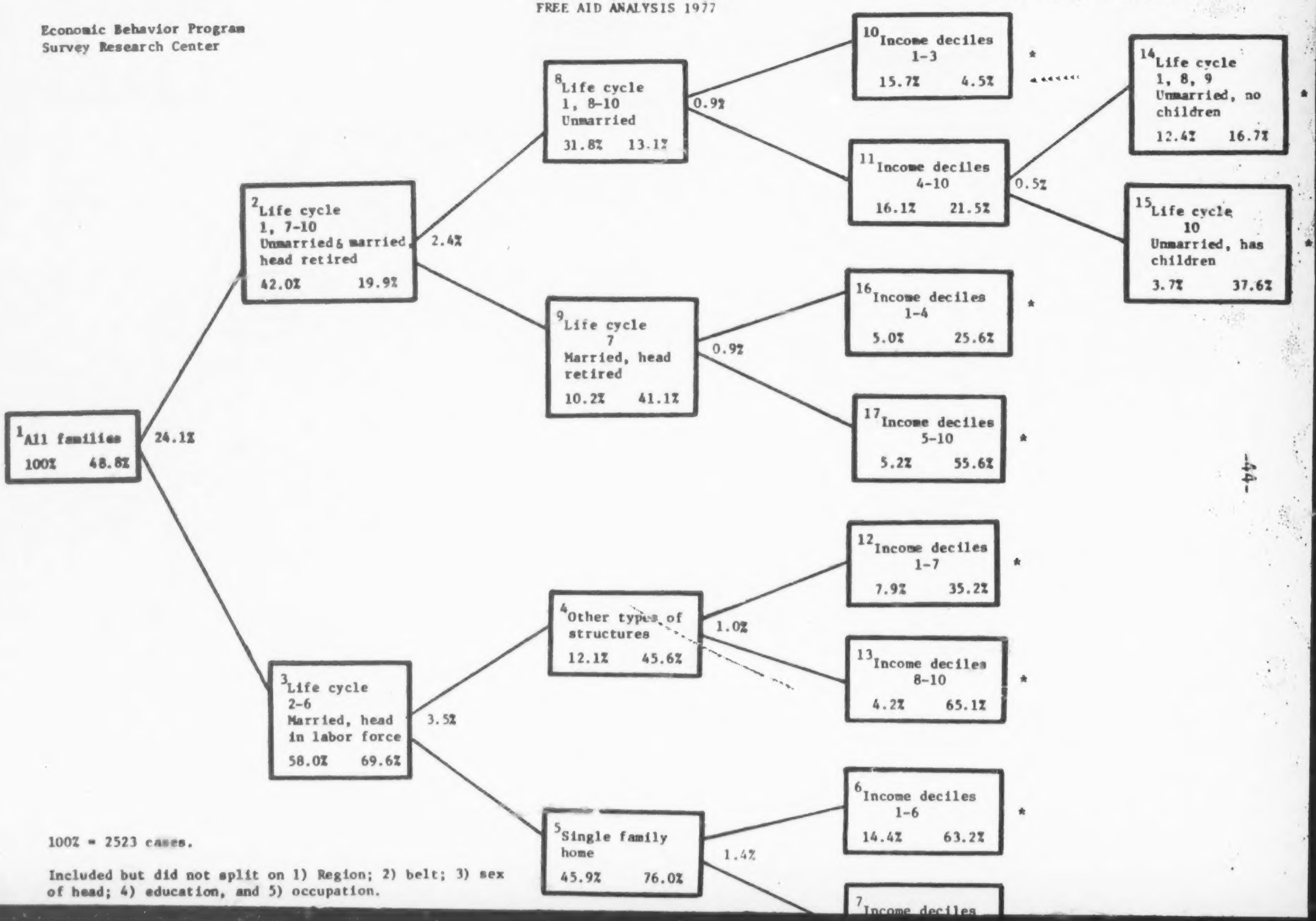
Source: 1977 SCF, Table D-42.

VEHICLE TABLE 19

MULTIPLE VEHICLE OWNERSHIP
FREE AID ANALYSIS 1977

1977 Survey of Consumer Finances

Economic Behavior Program
Survey Research Center


1 All families
100% 48.8%
24.1%
2 Life cycle
1, 7-10
Unmarried& married, head retired
42.0% 19.9%
2.4%
3 Life cycle
2-6
Married, head in labor force
58.0% 69.6%
3.5%
8 Life cycle
1, 8-10
Unmarried
31.8% 13.1%
0.9%
9 Life cycle
7
Married, head retired
10.2% 41.1%
0.9%
4 Other types of structures
12.1% 45.6%
1.0%
5 Single family home
45.9% 76.0%
1.4%
10 Income deciles
1-3
15.7% 4.5%
*
11 Income deciles
4-10
16.1% 21.5%
0.5%
16 Income deciles
1-4
5.0% 25.6%
*
17 Income deciles
5-10
5.2% 55.6%
*
12 Income deciles
1-7
7.9% 35.2%
*
13 Income deciles
8-10
4.2% 65.1%
*
6 Income deciles
1-6
14.4% 63.2%
*
7 Income deciles
14 Life cycle
1, 8, 9
Unmarried, no children
12.4% 16.7%
*
15 Life cycle
10
Unmarried, has children
3.7% 37.6%
*

100% = 2523 cases.

Included but did not split on 1) Region; 2) belt; 3) sex of head; 4) education, and 5) occupation.

VEHICLE TABLE 20

REGRESSION RESULTS FOR NUMBER OF VEHICLES OWNED -- 1970 AND 1977

	All Families		Vehicle Owners		Multiple Vehicle Owners	
	1970	1977	1970	1977	1970	1977
Constant	0.038	0.676	0.563	0.522	1.57	1.62
Number of Adults	0.438** (0.024)	0.363** (0.020)	0.356** (0.024)	0.377** (0.021)	0.276** (0.036)	0.267** (0.024)
Number of Workers	0.332** (0.024)	0.124** (0.023)	0.206** (0.024)	0.170** (0.024)	0.053 (0.041)	-0.004 (0.003)
Total Family Income (000's)	0.010** (0.001)	0.016** (0.001)	0.007** (0.001)	0.017** (0.001)	0.002 (0.002)	0.007** (0.001)
Sample Size	2576	2563	2175	2228	1058	1239
SEE	0.80	0.72	0.73	0.43	0.65	0.62
R^2	0.285	0.273	0.184	0.291	0.073	0.121

**Significant at .01 level.

Figures in parentheses are standard errors of estimated coefficient.

Source: 1977 SCF, Table D-44.

VEHICLE TABLE 21

REGRESSION RESULTS FOR TRUCK OWNERSHIP -- 1970 AND 1977

	All Families		Vehicle Owners		Multiple Vehi Owners	
	1970	1977	1970	1977	1970	197
Constant	-0.076	-0.232	-0.194	-0.153	0.053	0.1
Number of Vehicles	0.223**	0.192**	0.262**	0.227**	0.213**	0.1
	(0.008)	(0.011)	(0.011)	(0.012)	(0.025)	(0.0
West	0.042**	0.109**	0.047**	0.113**	0.039	0.1
	(0.014)	(0.020)	(0.017)	(0.022)	(0.036)	(0.0
Suburban	-0.033	0.033	-0.006	0.027	-0.009	0.0
	(0.018)	(0.019)	(0.021)	(0.022)	(0.047)	(0.0
Rural	0.098**	0.182**	0.136**	0.191**	0.256**	0.
	(0.017)	(0.020)	(0.021	(0.023)	(0.046)	(0.0
Single Family House	0.006	0.066**	0.019	0.057**	0.024	0.0
	(0.016)	(0.018)	(0.019)	(0.021)	(0.048)	(0.0
Total Family Income (000's)	-0.003**	-0.002	-0.003**	-0.003**	-0.003**	-0.
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.
Number of Adults	-0.029**	-0.018	-0.032**	-0.044**	-0.088**	-0.
	(0.010)	(0.011)	(0.012)	(0.013)	(0.025)	(0.
Number of Workers	-0.009	0.055**	-0.001	0.023	-0.030	-0.
	(0.010)	(0.012)	(0.012)	(0.014)	(0.028)	(0.
Sample Size	2576	2563	2175	2228	1058	12
SEE	0.33	0.38	0.35	0.40	0.44	0.
R^2	0.294	0.211	0.288	0.213	0.190	0.

** Significant at .01 level.

Source: 1977 SCF, Table D-45.

Note: The dependent variable was a binary variable equal to one if the family owned truck, equal to zero otherwise.

Figures in parentheses are standard errors of estimated coefficient.

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VEHICLE TABLE 22

TOTAL, DIRECT AND INDIRECT EFFECTS OF INCOME AND NEED VARIABLES ON TRUCK OWNERSHIP -- 1970 AND 1977

	1970								
	All Families			Vehicle Owners			Multiple Vehicle Owners		
	Total Effect	Direct Effect	Indirect Effect[a]	Total Effect	Direct Effect	Indirect Effect[a]	Total Effect	Direct Effect	Indirect Effect[a]
Total Family Income (000's)	-0.001	-0.003**	0.002**	-0.002**	-0.003**	0.002**	-0.004**	-0.003**	0.000
Number of Workers	0.064**	-0.009	0.074**	0.049**	-0.001	0.054**	-0.033	-0.030	0.011
Number of Adults	0.072**	-0.029**	0.098**	0.064**	-0.032**	0.093**	-0.032	-0.088**	0.059**

	1977								
	All Families			Vehicle Owners			Multiple Vehicle Owners		
	Total Effect	Direct Effect	Indirect Effect	Total Effect	Direct Effect	Indirect Effect	Total Effect	Direct Effect	Indirect Effect
Total Family Income (000's)	0.001	-0.002	0.003**	0.001	-0.003**	0.004**	-0.003	-0.003**	0.001**
Number of Workers	0.076**	0.055**	0.024**	0.057**	0.023	0.039**	-0.031	-0.014	-0.001
Number of Adults	0.060**	-0.018	0.070**	0.049**	-0.044**	0.086**	-0.042	-0.081**	0.044**

---

[a] Significance levels for indirect effect are included only if the two effects that are multiplied are both significant at the 99 percent level.

**Significant at .01 level.

Source: 1977 SCF, Table D-46.

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APPENDIX A

Life Cycle Variable Codes

Head Under Age 45

1. Unmarried, no children
2. Married, no children
3. Married, youngest child under age 6
4. Married, youngest child age 6 or older

Head Age 45 or Older

5. Married, has children
6. Married, no children, head in labor force
7. Married, no children, head retired
8. Unmarried, no children, head in labor force
9. Unmarried, no children, head retired

Head Any Age

10. Unmarried, has children

SURVEYS OF CONSUMER ATTITUDES

Survey Research Center
University of Michigan

Institute for Social Research

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THE RV CONSUMER:
CURRENT TRENDS AND FUTURE PROSPECTS

by

Richard T. Curtin

November 1979 WP10

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This paper was presented at the 2nd Annual RV Marketing/Finance Forum, Recreation Vehicle Industry Association, Louisville, Kentucky, on November 26, 1979. The analysis is based on a sample of 5,208 households from the May through October 1979 monthly Surveys of Consumer Attitudes. Cynthia Dutt, Thomas Neubig, and Lisa Poole are gratefully acknowledged for their assistance.

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Introduction

This presentation contains both favorable and unfavorable indications for future recreation vehicle sales. In short, the unfavorable news involves a continuation of the RV sales slump through 1980; the favorable news indicates that demand for recreation vehicles is likely to increase during the next decade, provided the necessary improvements in gasoline mileage can be achieved.

The economy has now entered its third recession since 1970, and the decline in consumer sales will extend until mid-1980. Double-digit inflation and double-digit interest rates have severely depressed consumer spending, especially for large discretionary purchases such as houses, cars, and recreation vehicles. Moreover, since the price and availability of gasoline has played a central role in our developing economic problems, RV sales have suffered greater declines than would be expected based just on changes in consumer incomes. Increases in the price of gasoline have greatly increased the cost of using RV's; importantly, gasoline shortages and uncertainty about its availability has made the RV unattractive regardless of the cost of gasoline. Although housing and car sales are expected to start a slow rebound in mid-1980, because of continued uncertainty about the price and availability of gasoline, RV sales are not likely to show renewed strength until late 1980 or 1981.

It is thus appropriate and necessary to now embark on a long term strategy in response to the energy crisis and declining sales. Future RV sales will depend both on the type and characteristics of the RV's supplied for sale, as well as the nature and and extent of consumer demand. In this presentation I will focus exclusively on trends in consumer demands.

The proper setting in which to consider demand for RV's is in the context of the household. It is the combination of the preferences and needs of each household member that determines the type and size of the RV chosen. The type and number of vehicles owned by the household is important because some RV's must be towed by another vehicle, while motorhomes and vans can substitute for a household vehicle.

Much is unknown about the RV consumer. Who owns RV's? What types of vehicles do they own? In what ways is the RV used? An ongoing representative sample survey of American households is being conducted by the Survey Research Center to answer these questions and thus assess the current and future market potential for RV's. This survey was commissioned by the Recreation Vehicle Industry Association, Marketing Analysis Committee. John Agno, the Chairman of this Committee, and John Keaton, the RVIA Staff Marketing Administrator, provided the incentive and guidance for this survey.

The survey addressed three important questions. First, how many families own RV's in the U.S.? How does ownership vary with household characteristics such as income, age, family size, and location? Second, how frequently do owners use their RV's? Is the recreation vehicle used more or less than expected at purchase? Are the RV's also used for nonrecreational purposes, such as travel to work? Third, what type of people intend to purchase or rent an RV in the next 12 months? The answers to these questions can help sharpen the focus of your marketing strategies in the near term, and point toward the prospects for increasing demand in the decade ahead. The data which I will report to you today represent preliminary findings from the surveys conducted between May and October

1979. As the research progresses over time, we will increase our ability to track and forecast changes in consumer demand.

The RV Consumer

For the purpose of this household survey, a recreation vehicle was defined and limited to motorhomes, vans, travel trailers, fifth-wheel trailers, fold-down camping trailers, and slide-in truck campers, which have permanent built-in sleeping spaces. This definition thus excludes all vehicles not primarily intended for recreational use. As of mid-1979, 8.5 percent of all vehicle-owning households owned one or more recreation vehicles (7.4 percent of all households owned an RV, including those households without any vehicles). Travel trailers were the most prevalent type of recreation vehicle, accounting for 32 percent of all recreation vehicles owned by households (see Table 1). Slide-in truck campers were the next most frequently owned, representing 20 percent of all recreation vehicles. Motorhomes accounted for 16 percent of the total, nearly equal to the 18 percent represented by vans. Fold-down camping trailers were the least frequently owned recreation vehicle (14 percent).

The features and characteristics of these recreation vehicles indicated that motorhomes and travel trailers were equipped with almost all available features, although travel trailers were less likely to have air conditioning (see Table 1). In contrast, few vans were equipped with cooking areas, bathroom facilities or separate heating and cooling. In fact, slide-in truck campers were more frequently equipped with these features than vans. For all features, slide-in truck campers were nearly camparable with motorhomes and travel trailers, except for bathroom facilities and air conditioning.

About four in ten of these recreation vehicles were purchased new; the majority being purchased used. The use of credit was widespread: one in every two motorhomes and vans were purchased with credit, while one in three travel trailers or slide-in campers were purchased with credit.

Table 2 gives the overall ownership among population subgroups for all recreation vehicles. For each subgroup two figures are shown: the "ownership rate" is the proportion -- or percentage -- of households in a given subgroup which own a recreation vehicle as of mid-1979; the column labeled "share of all RV's" gives the percentage -- or the market share -- of all RV's which are now owned by that particular subgroup. For example: among families who live in the Western states, 13.1 percent own a recreation vehicle; when all families living in the West are taken together, they account for 32 percent of all the recreation vehicles owned. The ownership rate is substantially lower among families who live in the South -- at 7.9 percent it is about two-thirds the 13.1 percent recorded in the West. Yet because more people live in the Southern region in comparison with the West, both the West and Southern region each account for about 30 percent of all RV's. Both figures are important for marketing decisions since the ownership rate gives the likelihood that households in any particular subgroup own RV's, while the percentage share indicates the size of the market.

Tables 3 to 7 give similar information for each type of recreation vehicle. These data may be highlighted as follows.

Motorhomes. Overall, motorhomes were owned by 1.4 percent of all vehicle-owning families in the United States as of mid-1979 (Table 3). Motorhomes were significantly more likely to be the third or fourth vehicle owned by the household; they were rarely the only or the second vehicle the household owned. Of all motorhomes owned by households, two-thirds were owned by households with three or more vehicles. Families residing in the Western region of this country were twice as likely to own a motorhome than residents of any other region, yet because of the relative size of the Western region, it accounted for just one-third of all motorhomes owned. The Southern region, with a much lower ownership rate but larger population, also accounted for one-third of all motorhomes. The Northeast had the lowest ownership rate and accounted for the smallest number of motorhomes -- just 10 percent of the total.

As expected, ownership rates of motorhomes increased with family income. The relationship was uneven, however. Very few families with incomes below $15,000 owned motorhomes. Of all motorhomes owned, 40 percent were owned by families with incomes of $15,000 to $25,000, and 40 percent were owned by families with incomes of more than $25,000. Those earning under $15,000 accounted for less than 20 percent of all motorhomes. Ownership rates increased steadily with age up to age 65. More than half (55 percent) of all motorhomes were owned by respondents in the 45 to 64 age groups. Ownership rates were highest among respondents with an intermediate level of education -- those with a high school diploma plus those with some college training. The rate of ownership is as low for those who did not complete high school as for those who were college graduates. Families with no children under age 18 living at home were less likely to own motorhomes. However, since most households do not include children, 61 percent of all motorhomes were owned by families with no young children at home. In comparison, just 12 percent of all motorhomes were owned by families with three or more children.

Vans. Among all vehicle owning households, 1.5 percent reported owning a van permanently equipped for recreation purposes (Table 4). The ownership pattern for vans and motorhomes were similar in many respects. There were several important differences, however. Vans, in comparison to motorhomes, were more frequently owned by families with two or fewer vehicles. Van ownership was more concentrated in the Western region than motorhomes. The frequency of van ownership declined with age; the highest frequency of ownership occurred in the 25 to 34 age group. Of all vans, 46 percent were owned by those under age 35 -- compared to just 20 percent for motorhomes. Van ownership was somewhat more frequent than motorhome ownership among families with children living at home. Nonetheless nearly half (47 percent) of all vans were owned by families with no children at home. As with motorhomes, the frequency of van ownership increases with family income, rising from just one-half of one percent among those with incomes of less than $10,000 to 2.7 percent among those with incomes of $25,000 or more.

Travel Trailers. Travel trailers were owned by 2.9 percent of all vehicle-owning households in 1979 (Table 5). Ownership of a travel trailer or fifth-wheel trailer increased sharply with the total number of vehicles owned by the household. Among households with just one vehicle, less than one percent also owned a travel trailer. Among families with two vehicles, four percent owned a travel trailer, which rose to 5.3 percent among families with three vehicles, and 5.9 percent among families with four or more vehicles. However, the majority of all travel trailers were owned by families with two vehicles or less, because of their large numbers.

For motorhomes and vans, ownership rates increased as income rose. In contrast, for travel trailers, the ownership rate was highest in the middle income groups, especially between $15,000 and $25,000. Like motorhomes but unlike vans, ownership rates for travel trailers increased with age to a peak rate of five percent for those age 65 and older. And similar to motorhomes, half of all trailers were owned by those aged 45 to 64 (55 percent). As with motorhomes, travel trailers were more often owned by families with no young children at home (61 percent).

Fold-Down Camping Trailers. Among all vehicle-owning households in 1979, 1.4 percent reported ownership of a fold-down camping trailer (Table 6). Unlike the ownership pattern for all other RV's, significantly fewer residents of the Western region owned fold-down camping trailers in comparison to all other regions. Residents of the North Central region posced the highest rate of ownership. More than one-third of all fold-down camping trailers are owned by households in the North Central states, compared with just 13 percent among Western residents. Ownership of fold-down camping trailers was also distinctive in terms of income and age. The highest rate of ownership was in the upper-middle income group, and among middle aged households. Ownership rates for fold-down campers rose from less than one percent among those under age 25, to more than three percent for those aged 35 to 44, and then subsequently declined among older age groups. More so than other RV's, fold down camping trailers were owned by families with young children living at home. Families with children accounted for 75 percent of all fold-down camping trailers.

Slide-In Campers. Among all vehicle owning households 1.8 percent reported ownership of slide-in truck campers (Table 7). The ownership rate of these campers was strongly related to the number of vehicles the household owned. Among households with just one vehicle, less than one-half of one percent owned a camper, rising to 7.2 percent of all families owning four or more vehicles. The Western region had significantly higher ownership rates reflecting more frequent ownership of pick-up trucks. Like fold-down camping trailers, the highest rates of ownership occurred in the middle income groups and middle age range.

Frequency and Type of Use

Sound market strategy requires knowledge of how people use their RV's, so that sales gains can be built on positive feedback from current owners. To assess the extent of use, respondents were asked about the total number of days each RV was used for recreation during the last 12 months. On average households used each RV 25 days during the past 12 months (Table 8). The various types of RV's differed significantly in the extent of their use. Fold-down camping trailers were used on average just 11 days during the past year, travel trailers were used on average 22 days, and vans and motorhomes were used on average for 33 days. Interestingly, more than one in four travel trailers, fold-down camping trailers, and slide-in campers were not used at all for recreation during the past 12 months.

How does this level of usage compare with the expectations held when the RV was purchased? Overall, 49 percent reported that they used their recreation vehicle less than expected, compared with just 21 percent who felt they used their RV more than they had originally expected; 30 percent reported that they used their vehicle as much as they had originally expected. Among owners who felt they used the RV less than they had originally expected, they actually used their RV on average for 14 days, significantly below those who reported about the same or more than expected use (Table 9). The most frequent answer given when asked why the RV was used less than expected was the lack of available time for recreation. Importantly, however, one in five RV owners who used their vehicles less than expected cited problems associated with the price and availability of gasoline.

Fewer, if any, differences in the number of days RV's were used were documented across the several demographic and regional classifications. In almost every demographic grouping, RV's were used between 20 and 30 days on average during the past 12 months. A major exception was RV owners who were over 65 years old; they used their vehicle for 43 days on average. Interestingly, although there are sharp differences in ownership across regions, owners who live in the Western states used their RV for 26 days on average, not significantly above the 21 days recorded by owners in the Northeastern states (Table 10).

When asked whether the RV was also used at work, for household errands, or to transport more people than they could in a regular car, vans and motorhomes proved to be the most versatile. The RV was used at work or for travel to work by 51 percent of van owners and 31 percent of motorhome owners; using their RV for household errands was reported by 55 percent of van owners and 25 percent of motorhome owners; and transporting more people than possible in a regular car was reported by 63 percent of van owners and 36 percent of motorhome owners. Importantly, the frequency of multiple uses of RV's was highest among those under age 35 (Table 10).

The Sales Outlook for 1980

The sales outlook for RV's depends on three different types of influences: a) replacement demand among current owners, b) purchase intentions among nonowners, and c) rental demand.

All current owners of recreation vehicles were asked whether they would purchase another recreation vehicle if -- and when -- they replace their current one. In response, six in ten owners stated that they would buy another recreation vehicle, while 11 percent stated they would replace this recreation vehicle with a regular car or truck, and 17 percent stated they would not replace the RV at all. Most owners stated they would replace their current RV with a similar type in the future. For motorhomes, most preferred to purchase another motorhome (44 percent), although some would choose vans instead (11 percent). Among current van owners, although the majority would still purchase another van (38 percent), there was a greater shift toward motorhomes (17 percent) than any other type of RV. Only for fold-down camping trailers and slide-in truck campers did current owners more frequently prefer another type of RV than they currently owned; travel trailers were more frequently preferred by their owners than any other type of RV (Table 11).

Overall, more than two in three owners currently own an RV similar in type to the first RV they ever owned. This holds true for all RV types except motorhomes, where just 36 percent of current motorhome owners initially purchased motorhomes. Ownership of a slide-in truck camper holds important implications for upgrading at a later date. Among all current motorhome owners, fully 25 percent initially owned a slide-in camper, of all travel trailer owners, 20 percent initially owned a slide-in camper, and of all fold-down camping trailer owners, 25 percent first owned a slide-in truck camper (Table 11).

To assess the potential demand for recreation vehicles in the near term, households were also asked whether they intend to buy a recreation vehicle during the next 12 months. Among all households, nearly five percent said that the chances were even or better that they would purchase an RV. During the months of May through October 1979, the proportion who intended to make a purchase ranged from three to seven percent (Table 12b). When asked why they would not consider purchasing an RV during the upcoming year, respondents most frequently mentioned that they didn't need or wouldn't use an RV. Nearly half of all respondents, however, mentioned reasons associated with purchase price or fuel economy (Table 13).

In addition to purchase intentions, nonowners were asked whether they would consider renting a recreation vehicle during the next 12 months. In response, nearly 12 percent said they would consider renting an RV in the upcoming year -- nearly three times the proportion who expected to buy. As with purchase intentions, rental intentions increased somewhat following early summer low readings (Table 12a).

Table 14 details the proportion of households who intend to rent or purchase a recreation vehicle within several demographic subgroups. As shown, among households who own just one vehicle, 10 percent expect to rent an RV compared with 16 percent among households with four or more vehicles. Similarly purchase intentions rise from 3.5 percent of all families owning just one vehicle to 7.1 percent among families with four or more vehicles. Purchase and rental intentions were highest among residents of the Western states, and lowest in the Northeast. Purchase and rental intentions increase with the level of family income, and as the age of the household head increases, purchase and rental intentions decrease markedly; these intentions are also much higher among families with children than without.

The Outlook for the Decade Ahead

The near term outlook for RV sales is unfavorable. Nonetheless, the survey data can help to sharpen the focus of your marketing strategies so as to maximize your sales effort, even in a sluggish market. In the longer term, improvements in fuel efficiency must first take place. Given these improvements, the demand for recreation vehicles will grow in the future mainly in response to the changing age structure of the population.

Overall, the ownership of any type of RV increased along with the age of the household head. Only three percent of households with heads under age 25 owned an RV, compared with more than 12 percent among those aged 35 to 44. From age 45 to 65, about 10 percent reported ownership; the ownership rate then drops to just 5 percent after age 65. Consequently, the baby boom generation, now aged 25 to 35, will move into significantly higher purchase rate age categories during the coming decade. This represents a very favorable prospect for the future of RV sales.

The ownership of different types of RV's, in addition, appears to follow a life cycle pattern. The highest ownership rate for vans occurred among those aged 25 to 34, for fold-down camping trailers and slide-in campers the peak rate occurred at age 35 to 44, and for travel trailers and motorhomes, the peak rate occurred at ages 55 to 64. This implies a shifting as well as an expanding demand in the coming decades.

In conclusion, as an economist, I can forecast a potentially strong demand for RV's in the decade ahead, but I cannot predict which companies and dealers will quickly and profitably adapt to the changed energy circumstances. That is up to you!

TABLE 1

CHARACTERISTICS OF RECREATION VEHICLES OWNED BY U.S. HOUSEHOLDS, 1979

	Type of Recreational Vehicle					
	All Recreation Vehicles	Motorhomes	Vans	Fifth Wheel & Travel Trailers	Fold-Down Camping Trailers	Campers
Percent who own[a]	8.5%	1.4%	1.5%	2.9%	1.4%	1.8%
Share of RV's by type	100%	16%	18%	32%	14%	20%
Cases[b] (unweighted)	528	82	94	159	80	103
Physical Characteristics of RV's						
Permanent cooking area	77%	79%	30%	98%	75%	85%
Running drinking water	72	81	41	89	53	77
Separate heater	59	74	22	82	33	63
Separate air conditioner	28	63	24	35	2	10
Electricity	71	80	33	85	63	79
Toilet facilities	66	83	34	86	30	74
Refrigerator or ice box	84	87	64	95	75	90
Propane gas	76	77	29	97	74	84
Shower or bathtub	41	73	16	66	2	24
Average number of sleeping spaces	4.3	5.3	2.5	4.8	5.3	3.7
Average length (feet)	18.5	24	15	20.7	11.8	NA
Purchase Characteristics of RV's						
Percent purchased new	40%	40%	42%	43%	40%	32%
Percent purchased with credit	41	56	59	35	34	29
Percent using RV trade-in	22	30	30	23	8	17

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[*] Less than 0.5 percent.

NA = not available.

[a] Among all vehicle owning households.

[b] The number of vehicles do not sum to 528 since 10 recreation vehicle types were not ascertained. Many are identified as trailers but the type of trailer is not known.

TABLE 2

OWNERSHIP OF RECREATIONAL VEHICLES AMONG U.S. HOUSEHOLDS, 1979

	Cases	All Recreational Vehicles Ownership Rate	 Share of all RV's
All Families	5208	8.5%	100%
Number of Vehicles			
1	2038	1.9	10
2	2241	10.1	47
3	633	19.2	28
4 or more	295	22.8	15
Region			
West	1040	13.1	32
North Central	1517	7.9	25
Northeast	982	5.7	13
South	1661	7.9	30
Income			
Less than $10,000	913	4.1	12
$10,000-14,999	881	6.3	14
$15,000-19,999	1087	10.5	25
$20,000-24,999	841	10.9	17
$25,000 and over	1486	11.6	32
Age			
Younger than 25	494	3.2	3
25-34	1622	7.8	21
35-44	1067	12.7	24
45-54	786	10.1	22
55-64	691	10.0	22
65 or older	512	4.7	8
Education			
Less than high school	812	7.6	19
High school diploma	1919	10.5	46
Some college	1251	7.8	20
College degree	1182	6.8	15
Number of Children			
None	2750	7.3	49
1	911	9.9	21
2	944	8.7	15
3 or more	603	13.1	15

TABLE 3

OWNERSHIP OF MOTORHOMES AMONG U.S. HOUSEHOLDS, 1979

		Motorhomes	
	Cases	Ownership Rate	Share of all Motorhomes
All Families	5208	1.4%	100%
Number of Vehicles			
1	2038	*	3
2	2241	0.1	29
3	633	5.9	42
4 or more	295	6.1	26
Region			
West	1040	2.4	31
North Central	1517	1.2	27
Northeast	982	0.8	10
South	1661	1.1	32
Income			
Less than $10,000	913	0.3	6
$10,000-14,999	881	0.5	11
$15,000-19,999	1087	2.0	26
$20,000-24,999	841	1.7	14
$25,000 and over	1486	2.4	43
Age			
Younger than 25	494	0.7	8
25-34	1622	0.6	12
35-44	1067	1.6	18
45-54	786	1.8	24
55-64	691	2.6	31
65 or older	512	1.1	7
Education			
Less than high school	812	1.1	11
High school diploma	1919	1.6	45
Some college	1251	1.4	25
College degree	1182	1.1	19
Number of Children			
None	2750	1.4	61
1	911	1.8	20
2	944	0.7	7
3 or more	603	1.5	12

---

*Less than .05 percent.

TABLE 4

OWNERSHIP OF VANS AMONG U.S. HOUSEHOLDS, 1979

		Vans	
	Cases	Ownership Rate	Share of all Vans
All Families	5208	1.5%	100%
Number of Vehicles			
1	2038	0.4	11
2	2241	1.6	41
3	633	3.6	30
4 or more	295	4.5	18
Region			
West	1040	2.7	37
North Central	1517	1.6	28
Northeast	982	0.5	12
South	1661	1.4	23
Income			
Less than $10,000	913	0.5	10
$10,000-14,999	881	1.0	10
$15,000-19,999	1087	1.8	29
$20,000-24,999	841	1.8	13
$25,000 and over	1486	2.7	38
Age			
Younger than 25	494	1.3	6
25-34	1622	3.0	40
35-44	1067	2.1	24
45-54	786	0.8	9
55-64	691	0.5	13
65 or older	512	0.5	8
Education			
Less than high school	812	0.7	13
High school diploma	1919	1.4	38
Some college	1251	2.3	30
College degree	1182	1.8	19
Number of Children			
None	2750	1.3	47
1	911	1.5	18
2	944	2.4	22
3 or more	603	1.8	13

TABLE 5

OWNERSHIP OF TRAVEL TRAILERS AMONG U.S. HOUSEHOLDS, 1979

		Travel Trailers	
	Cases	Ownership Rate	Share of all Travel Trailers
All Families	5208	2.9%	100%
Number of Vehicles			
1	2038	0.7	12
2	2241	4.0	54
3	633	5.3	24
4 or more	295	5.9	10
Region			
West	1040	4.9	33
North Central	1517	2.5	24
Northeast	982	1.9	13
South	1661	2.5	30
Income			
Less than $10,000	913	2.2	18
$10,000-14,999	881	2.1	13
$15,000-19,999	1087	3.6	25
$20,000-24,999	841	3.5	18
$25,000 and over	1486	3.2	26
Age			
Younger than 25	494	0.6	1
25-34	1622	1.4	11
35-44	1067	3.5	19
45-54	786	3.6	24
55-64	691	5.0	31
65 or older	512	3.0	14
Education			
Less than high school	812	3.4	25
High school diploma	1919	3.9	51
Some college	1251	1.7	11
College degree	1182	1.9	13
Number of Children			
None	2750	3.2	62
1	911	2.2	15
2	944	2.4	12
3 or more	603	2.9	11

TABLE 6

OWNERSHIP OF FOLD-DOWN CAMPING TRAILERS AMONG U.S. HOUSEHOLDS, 1979

		Fold-Down Camping Trailers	
	Cases	Ownership Rate	Share of all Fold-Down Camping Trailers
All Families	5208	1.4%	100%
Number of Vehicles			
1	2038	0.4	9
2	2241	1.9	58
3	633	3.0	27
4 or more	295	1.4	6
Region			
West	1040	0.9	13
North Central	1517	1.8	38
Northeast	982	1.4	20
South	1661	1.3	28
Income			
Less than $10,000	913	0.4	8
$10,000-14,999	881	0.4	5
$15,000-19,999	1087	1.8	26
$20,000-24,999	841	2.4	25
$25,000 and over	1486	2.1	36
Age			
Younger than 25	494	0.7	6
25-34	1622	1.1	21
35-44	1067	3.3	38
45-54	786	2.1	27
55-64	691	0.4	7
65 or older	512	0.1	1
Education			
Less than high school	812	1.1	16
High school diploma	1919	1.6	43
Some college	1251	1.2	21
College degree	1182	1.3	20
Number of Children			
None	2750	0.5	25
1	911	2.7	31
2	944	1.6	18
3 or more	603	3.7	26

TABLE 7

OWNERSHIP OF SLIDE-IN TRUCK CAMPERS AMONG U.S. HOUSEHOLDS

		Slide-In Campers	
	Cases	Ownership Rate	Share of all Slide-In Campers
All Families	5208	1.8%	100%
Number of Vehicles			
1	2038	0.3	12
2	2241	2.1	47
3	633	3.4	21
4 or more	295	7.2	20
Region			
West	1040	3.6	40
North Central	1517	1.0	15
Northeast	982	1.3	13
South	1661	1.6	32
Income			
Less than $10,000	913	0.8	14
$10,000-14,999	881	2.4	26
$15,000-19,999	1087	2.0	20
$20,000-24,999	841	2.4	16
$25,000 and over	1486	1.8	24
Age			
Younger than 25	494	0.2	1
25-34	1622	1.9	25
35-44	1067	3.2	29
45-54	786	2.0	24
55-64	691	2.2	18
65 or older	512	0.3	3
Education			
Less than high school	812	1.8	20
High school diploma	1919	2.2	51
Some college	1251	1.9	20
College degree	1182	1.0	9
Number of Children			
None	2750	1.1	38
1	911	2.7	27
2	944	1.7	15
3 or more	603	4.1	20

TABLE 8

NUMBER OF DAYS RECREATIONAL VEHICLES USED DURING LAST 12 MONTHS

	Type of Recreational Vehicle					
umber of Days Used n Last 12 Months	All Recreational Vehicles	Motorhomes	Vans	Fifth Wheel & Travel Trailers	Fold-Down Camping Trailers	Campers
one	22%	7%	13%	28%	33%	24%
ne week or less 1-7 days)	17	14	18	16	18	20
ne to two weeks 8-14 days)	13	12	7	15	14	14
o weeks to a month 15-29 days)	10	14	9	8	9	11
ne month to four months 30-119 days)	28	39	39	26	18	21
our months or more 120 days or more)	4	4	5	3	*	7
ot ascertained	6	10	9	4	8	3
tal	100%	100%	100%	100%	100%	100%
erage number of days used	25	33	32	22	11	26
ecreational Vehicle Used for:						
rk	19%	31%	51%	4%	*	17%
d jobs	17	25	55	3	*	12
ansporting more people	20	36	63	*	*	16
creational Vehicle Used...						
re than expected	21	22	22	22	17	19
me as expected	30	33	34	32	20	29
ss than expected	49	45	44	46	63	52
tal	100%	100%	100%	100%	100%	100%
mber of cases	528	82	94	159	80	103
rcent of weighted cases	100%	16%	18%	32%	14%	20%

---

ess than 0.5 percent.

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TABLE 9

THE RELATIONSHIP OF ACTUAL AND EXPECTED USE OF RECREATION VEHICLES BY OTHER TYPES OF USES

	Used: More than Expected	Used: Same as Expected	Used: Less than Expected	All
All Recreational Vehicles	21%	30%	49%	100%
Percent Who Used RV For...				
Work	18%	23%	17%	19%
Odd jobs	17%	17%	18%	17%
Transporting more people	28%	22%	17%	20%
Average Number of Days Used	32	39	14	25

TABLE 10

USAGE PATTERNS OF RECREATIONAL VEHICLES

	Compared With Expectations, RV Was Used...		Proportion Who Use Their RV for...			Number of Days RV Used
	More	Less	Work	Odd Jobs	Transport People	
All Families	21	49	18	17	20	25
Number of Vehicles						
1	26	42	25	34	19	32
2	22	49	17	17	17	21
3	17	49	16	10	23	28
4 or more	21	55	19	19	28	27
Region						
West	21	46	23	19	23	26
North Central	20	47	11	15	21	26
Northeast	23	55	17	21	11	21
South	21	52	18	15	21	24
Income						
Less than $10,000	21	47	15	21	9	20
$10,000-14,999	26	51	20	19	23	18
$15,000-19,999	27	51	14	11	20	27
$20,000-24,999	17	56	14	17	12	27
$25,000 and over	16	45	23	18	29	28
Age						
Younger than 25	*	62	37	35	20	28
25-34	21	48	30	35	34	26
35-44	19	53	11	9	17	24
45-54	23	57	14	18	15	18
55-64	23	43	16	10	21	23
65 or older	22	38	13	12	8	43
Education						
Less than high school	14	55	9	9	8	24
High school diploma	26	53	16	14	19	24
Some college	17	45	24	24	30	25
College degree	15	41	22	21	23	29
Number of Children						
None	23	46	21	15	19	27
1	13	60	14	19	22	23
2	24	43	19	25	26	26
3 or more	21	55	12	14	18	21

---

*Less than 0.5 percent.

TABLE 11

REPLACEMENT DEMAND FOR RECREATIONAL VEHICLES

(Percentage distribution of Recreational Vehicles)

Will Replace Present RV With	All Recreational Vehicles	Motorhome	Van	Travel or Fifth Wheel Trailer	Fold-Down Camping Trailer	Camper
	Type of Current Recreational Vehicle					
Another RV	61%	60%	64%	62%	52%	60%
Motorhome	17	44	17	12	8	11
Van	10	11	38	1	3	3
Travel or Fifth Wheel Trailer	20	3	1	42	14	18
Fold-Down Camping Trailer	5	*	2	2	25	2
Camper	7	*	3	4	1	25
Type not ascertained	2	2	3	1	1	1
Non-RV	11	14	21	6	8	12
Car	4	6	12	1	*	3
Truck	3	5	4	1	2	6
Type not ascertained	4	3	5	4	6	3
Will not replace	17	15	7	22	30	14
Not ascertained	11	11	8	10	10	14
Total	100%	100%	100%	100%	100%	100%
First Recreational Vehicle						
Motorhome	9%	36%	15%	1%	*	*
Van	18	19	70	4	6	5
Travel or Fifth Wheel Trailer	27	12	7	65	2	9
Fold-Down Camping Trailer	13	3	1	3	66	7
Camper	30	25	4	20	25	78
Type not ascertained	3	5	3	7	1	1
Total	100%	100%	100%	100%	100%	100%

---

*Less than 0.5 percent.

TABLE 12

INTENTIONS TO RENT OR PURCHASE A RECREATIONAL VEHICLE DURING THE NEXT 12 MONTHS

a) Possibility of Renting an RV in the Next 12 Months

(Percentage distribution of Non-RV Owners)

	Would Consider Renting RV			
Month of Survey	Yes	No	Not Ascertained	Total
May	8.6	84.5	6.9	100%
June	10.8	88.0	1.2	100%
July	12.4	85.3	2.3	100%
August	8.7	88.1	3.2	100%
September	17.1	79.6	0.7	100%
October	13.1	84.7	2.2	100%
All months	12.0	85.1	2.9	100%

b) Possibility of Buying an RV in the Next 12 Months

(Percentage distribution of all families)

	Chances of Buying RV				
Month of Survey	Probably Will Buy	Chances Are About Even Will Buy	Probably Will Not Buy	Not Ascertained	Total
May	1.0	2.8	94.3	1.9	100%
June	0.8	2.9	95.9	0.4	100%
July	1.3	1.6	96.9	0.2	100%
August	1.6	2.1	95.7	0.6	100%
September	1.9	5.5	90.8	1.9	100%
October	2.1	4.6	92.3	1.0	100%
All months	1.4	3.2	94.5	0.9	100%

TABLE 13

REASONS FOR NOT BUYING RV IN THE NEXT 12 MONTHS
(Percent of all families)

Reasons for Not Buying[a]	All Months	Month of Survey: June	July	August	September	October
Purchase price	28%	31%	28%	25%	25%	34%
Economy/mileage	17	20	19	12	18	15
Performance/size/safety	1	1	1	*	3	1
Wouldn't use enough	59	52	58	62	59	52
Miscellaneous	6	5	4	6	7	8

---

*Less than 0.5 percent.

[a] Column percents sum to more than 100% due to possible multiple responses.

TABLE 14

INTENTIONS TO RENT OR PURCHASE A RECREATIONAL VEHICLE DURING THE NEXT 12 MONTHS, BY DEMOGRAPHIC SUBGROUP - 1979

		Proportion of Households Who Intend to...	
	Cases	Rent	Buy
All Families	5208	11.6%	4.7%
Number of Vehicles			
1	2038	10.4	3.5
2	2241	11.9	4.9
3	633	13.5	7.0
4 or more	295	15.8	7.1
Region			
West	1040	13.0	6.4
North Central	1517	11.7	4.4
Northeast	982	9.0	3.4
South	1661	12.2	4.6
Income			
Less than $10,000	913	7.6	2.9
$10,000-14,999	881	11.5	4.3
$15,000-19,999	1087	11.6	5.2
$20,000-24,999	841	11.9	5.9
$25,000 and over	1486	15.6	5.6
Age			
Younger than 25	494	17.0	9.0
25-34	1622	16.0	6.5
35-44	1067	15.0	5.3
45-54	786	10.0	2.8
55-64	691	8.4	3.1
65 or older	512	1.7	1.0
Education			
Less than high school	812	5.2	4.4
High school diploma	1919	10.9	5.0
Some college	1251	14.8	5.6
College degree	1182	15.3	2.8
Number of Children			
None	2750	9.6	3.7
1	911	13.1	6.9
2	944	15.0	4.2
3 or more	603	15.9	7.5

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HOUSEHOLD DURABLE AND RECREATION AND HOBBY EXPENDITURES

by

Richard T. Curtin
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January 1980 WP11

From 1946 until 1970, the Survey Research Center, with the support of the Federal Reserve Board, conducted an annual Survey of Consumer Finances (SCF). These surveys were updated and enlarged with the 1977 Survey of Consumer Credit (SCC), jointly funded by the Board, the FDIC and the Comptroller of the Currency. The 1977 Survey of Consumer Finances adds to the rich source of cross-sectional data on the distribution of assets, debts, durable goods and financial transactions among American families. This national survey consisted of 2,563 respondents personally interviewed during August 1977.

The authors gratefully acknowledge the assistance of Chris Kline for data analysis provided in the earlier stages of this working paper.

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HOUSEHOLD DURABLE AND RECREATION AND HOBBY ITEM EXPENDITURES

Highlights

During the past decade, households have displayed relatively stable purchase patterns for household durables, recreation and hobby items, but the method of financing these purchases has changed.

Household Durables:

-- Over forty percent of all families reported purchasing at least one household durable in 1977. Eight percent reported purchasing two or more major appliances (Table 1).

-- The proportion of families purchasing durables in 1977 (41%) was down slightly from the 1960s levels, although within survey sampling error (Table 1).

-- The average amount spent on household durables during 1977 was $750. The median amount spent was over $500 (Table 1).

-- Cash remained the most common means of payment for household durable purchases. Approximately two-thirds of all household durable purchases in 1977 were made with cash. The remaining one-third was divided evenly between installment debt and credit cards (Table 4).

-- Installment debt for durable purchases was most often received from the store of purchase (Table 4).

-- Store credit cards were used four times more often than bank credit cards for durable purchases (Table 4).

Recreation and Hobby Items:

-- Thirteen percent of all families reported at least one recreation and hobby item purchase in 1977 (Table 7).

-- The proportion of families purchasing recreation and hobby items (13%) was also down from earlier levels, although within survey sampling error (Table 7).

-- The average and median amount spent on recreation and hobby items was $1,030 and $350 respectively, in 1977 (Table 7).

-- Similar to household durables, slightly more than two-thirds of all recreation and hobby item purchases were made with cash.

-- Unlike household durables, installment debt was twice as likely as credit cards to be used for credit purchases (Table 10).

-- Installment debt for recreation and hobby item purchases was most often received from banks (Table 10).

-- Store credit cards were used twice as often as bank credit cards for recreation and hobby item purchases (Table 10).

Durable Purchase Behavior and Amounts Spent in 1977 and 1969

Spending patterns for household durables, recreation and hobby items remained very similar in 1977 to their patterns in the 1960's. In addition to similar patterns of spending across economic and demographic groups, the level of purchase behavior, after accounting for inflation, was not significantly different from earlier levels.

The proportion of families reporting household durable[a] purchases was 41 percent in 1977, down slightly from 45 percent in 1969 (Table 1). The proportion of families reporting recreation and hobby item[b] purchases was 13 percent in 1977, four percentage points lower than in previous years (Table 7). The recorded declines, however, were not significant at the ninety-five percent confidence level. The declines were no larger than the expected variability due to sampling.

The average and median amount (in current dollars) spent on household durables was $750 and $520, respectively, in 1977. These amounts remained virtually unchanged since 1969 after adjusting for inflation (Table 1). The average and median reported amount spent on recreation and hobby items was $1,030 and $350, respectively, in 1977, more than twice the $480 and $170 recorded in 1969 (Table 7).

The use of credit when making purchases was somewhat more frequent for durables, and significantly more frequent for recreation and hobby item purchases. Forty-four percent of households who purchased durables used credit to finance all or part of at least one purchase in 1977, up from 39 percent in 1969 (Table 1). Thirty percent of recreation and hobby item purchasing families reported they had used credit in 1977, up from 22 percent in 1969 (Table 7).

---

[a] Household durables consist of all items of movable furniture and all electrical and gas appliances not permanently built-in or attached to the dwelling structure. Such items as personal effects, non-household items, and non-appliance items are not included.

[b] Recreation and hobby items include boats and boating equipment, sporting equipment, motorcycles, snowmobiles, CB radios, camping equipment, vacation trailers, stereo and photography equipment, musical instruments, power tools, and the like.

Household Durable and Recreation Hobby Item Purchase Patterns--1977

Overview

Purchase patterns for household durables and recreation and hobby items across income levels and age groups during 1977 were similar to those of past years (Tables 2 and 8). For household durables and recreation and hobby items the likelihood of purchasing at least one item and the likelihood of purchasing two or more items were both positively related to family income; the likelihood of purchasing at least one item and the likelihood of purchasing two or more items both decreased with the age of family head.

Those most likely to purchase either household durables or recreation and hobby items continued to be married persons under the age of 45 (Tables 2 and 8). For durables as well as recreation and hobby items, families who bought a house within three years of the survey were the most likely group to make a purchase. For both household durables and recreation and hobby items, married two-worker families were more likely to make a purchase than married one-worker families.

Impact of Family Income

Table 3 indicates that the proportion of families purchasing at least one household durable rose monotonically from 22 percent of those families earning less than $5,000 to 57 percent of those families earning $25,000 or more. The proportion of families purchasing two or more household durables increased from 7 percent of those families earning less than $5,000 to 25 percent of those earning $25,000 or more (Charts 1 and 2). In a similar fashion, the proportion of families purchasing at least one recreation and hobby item rose from 4 percent of those families in the lowest income bracket to 26 percent of those earning $20,000 to $24,999. The lone exception to a positive relationship between family income and recreation and hobby item purchases occurred in the highest income bracket, where the percentage of families purchasing at least one recreation and hobby item was five percentage points lower than that of the preceding income bracket (Table 9 and Chart 1). Although the magnitudes involved were quite small, the likelihood of purchasing two or more recreation and hobby items also increased with family income. The proportion of families purchasing two or more items rose from 1 percent of those families in the lowest income bracket to 5 percent of those families in the highest income bracket (Table 9 and Chart 2).

CHART 1

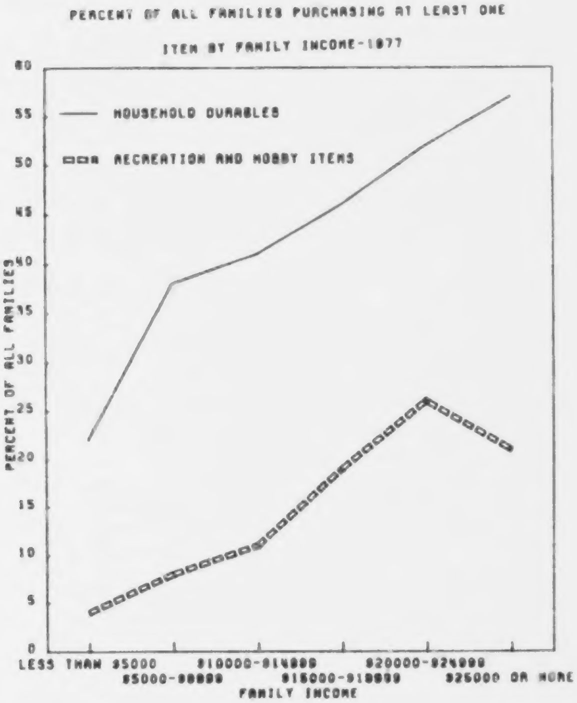
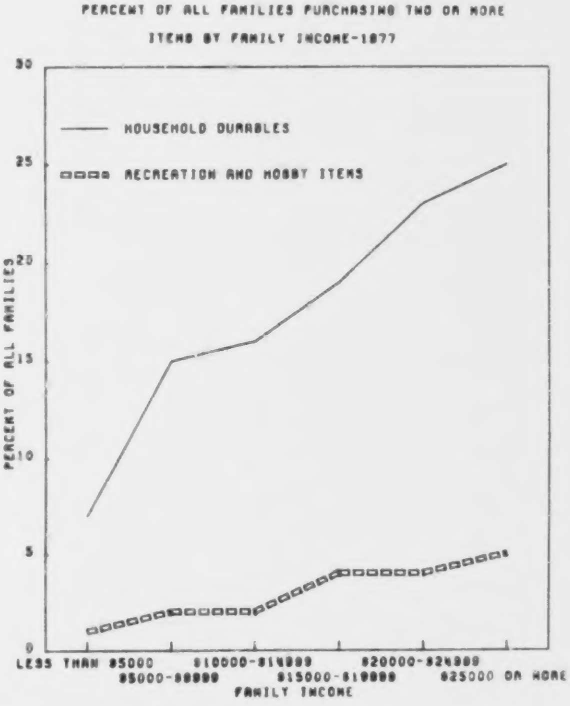

PERCENT OF ALL FAMILIES PURCHASING AT LEAST ONE ITEM BY FAMILY INCOME-1977

CHART 2


PERCENT OF ALL FAMILIES PURCHASING TWO OR MORE ITEMS BY FAMILY INCOME-1977

The proportion of families purchasing household durables was larger than the proportion purchasing recreation and hobby items for all income brackets during 1977. The difference declined, however, as family income increased. Families in the lower income brackets were five times more likely to purchase a household durable than a recreation and hobby item, whereas families in the higher income brackets were only between two and three times more likely to do so.

Impact of Age of Family Head

The likelihood of purchasing one household durable or recreation and hobby item and the likelihood of purchasing two or more were both inversely related to age of family head in 1977. Table 3 indicates that households with family heads younger than age 25 were over two times more likely to purchase at least one household durable, and nearly four times more likely to purchase two or more household durables than family heads age 65 or older (see also Charts 3 and 4). The proportion of households purchasing at least one recreation and hobby item remained essentially constant at 20 percent up to age 44 and declined thereafter, and the proportion of families purchasing two or more recreation and hobby items remained constant at approximately 5 percent up to age 44 and slowly declined to less than 0.5 percent for families with heads 65 or older (Table 9). Overall, households with family heads age 44 or younger were six times more likely to purchase at least one recreation and hobby item, and ten times more likely to purchase two or more recreation and hobby items than households with family heads age 65 or older (see Charts 3 and 4).

CHART 3

PERCENT OF ALL FAMILIES PURCHASING AT LEAST ONE ITEM BY AGE OF FAMILY HEAD-1977

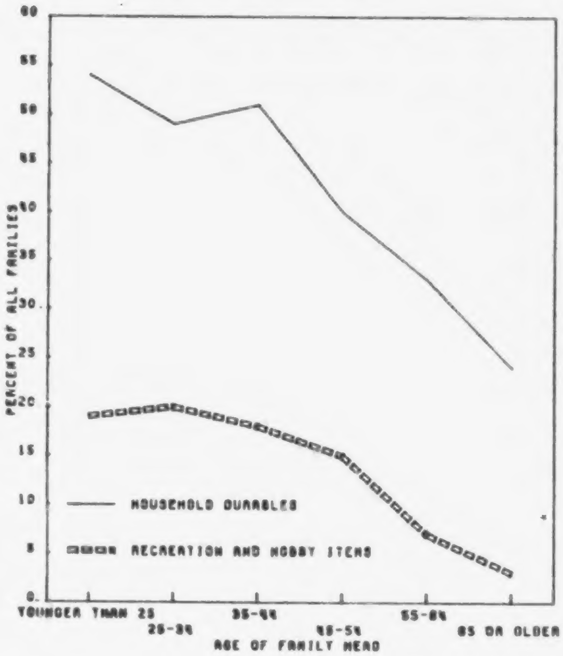
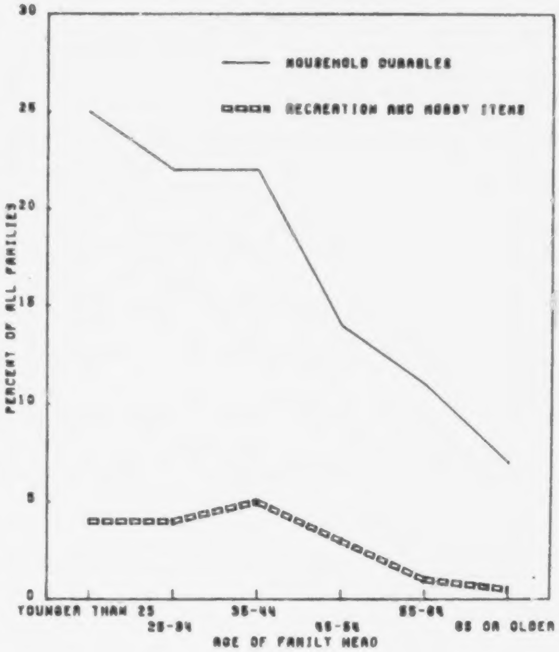


CHART 4

PERCENT OF ALL FAMILIES PURCHASING TWO OR MORE ITEMS BY AGE OF FAMILY HEAD-1977



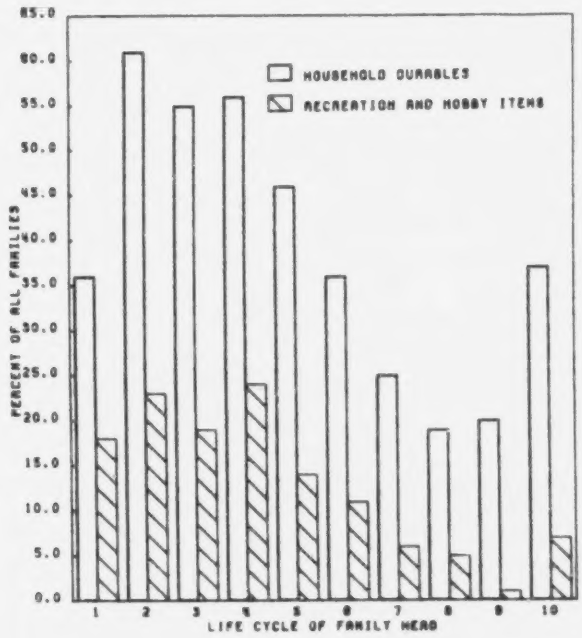
Impact of Life Cycle of Family Head

Although down slightly from 1969 reported levels, married family heads under age 45 were the most likely group to purchase household durables or recreation and hobby items (Tables 2, 3, 8, 9; Chart 5). Over 50 percent of family heads from this life cycle purchased at least one household durable, and 25 percent purchased two or more household durables. Over 20 percent of married heads younger than age 45 purchased one recreation and hobby item, and 5 percent purchased two or more recreation and hobby items. Only one group in the age 45 or older life cycle reported near equal purchasing behavior for either household durables or recreation and hobby items, and that was married heads with children. Of heads in this life cycle, 46 percent purchased at least one household durable and 18 percent purchased two or more, while 14 percent purchased at least one recreation and hobby item and 3 percent purchased two or more.

For single heads, both the likelihood of purchasing a household durable and the likelihood of purchasing a recreation and hobby item were much lower, except in the case of unmarried heads younger than age 45 with no children who reported purchasing at least one recreation and hobby item. Thirty-six percent of single heads younger than age 45 and 25 percent of single heads age 45 or older purchased at least one household durable. Ten percent of single heads of any age purchased at least one recreation and hobby item.

CHART 5

PERCENT PURCHASING AT LEAST ONE ITEM BY LIFE CYCLE OF FAMILY HEAD-1977



Life Cycle of Family Head

Under age 45

1 - Unmarried, no children
2 - Married, no children
3 - Married, youngest child under age six
4 - Married, youngest child age six or older

Age 45 or older

5 - Married, has children
6 - Married, no children, head in labor force
7 - Married, no children, head retired
8 - Unmarried, no children, head in labor force
9 - Unmarried, no children, head retired

Any age

10 - Unmarried, has children

Impact of Number of Workers

In recent years there has occurred an unprecedented growth of households with more than one wage earner. Although this is sometimes caused by financial stress, more often than not a second worker increases the discretionary income of the household. For both household durables and recreation and hobby items the presence of a second worker led to a greater likelihood of purchase during 1977 (Tables 3 and 9). Fifty-four percent of married two-worker families purchased at least one durable compared with 46 percent among married one-worker families. Twenty percent of married two-worker families purchased at least one recreation and hobby item compared with 16 percent among married one-worker families.

Impact of Housing Status

If one abstracts from duration of housing occupancy, house ownership had only a minor effect on purchasing behavior. Of those families who owned houses during 1977, 42 percent purchased at least one household durable and 16 percent purchased two or more. Among renters, 39 percent purchased at least one household durable and 14 percent purchased two or more (Table 3). A similar relationship holds for recreation and hobby items. Among home owners, 14 percent purchased at least one recreation and hobby item and 3 percent purchased two or more. Among renters, 12 percent purchased at least one recreation and hobby item and 3 percent purchased two or more items (Table 9).

Families who recently purchased a house were more likely to make a purchase than those families who bought a house at least three years prior to the survey, and those families who recently moved into rentals were more likely to make a purchase than those who moved in at least three years prior to the survey (Tables 3 and 9). In those cases where families bought their house between 1974 and 1977, 54 percent purchased at least one household durable and 20 percent purchased at least one recreation or hobby item, compared with 37 percent and 12 percent respectively among families who bought their house prior to 1974. Of those families who moved into a rental between 1974 and 1977, 44 percent purchased at least one household durable and 13 percent purchased at least one recreation or hobby item, compared with 30 percent and 9 percent respectively for those families who moved into a rental unit prior to 1974.

A more dramatic relationship appears if one considers the joint affect of housing status and duration of housing occupancy on purchasing behavior. For both durables and recreation and hobby items, families who bought a house within three years of the survey were far more likely to make a purchase than families who moved into rentals within the same three-year period.

Amounts Spent on Household Durables, Recreation and Hobby Items--1977

Overview

Total amounts spent on household durables and recreation and hobby items generally increased with the level of family income during 1977. For household durables, amounts spent declined with age of family head whereas amounts spent on recreation and hobby items essentially increased with age of family head. Married household heads younger than age 45 spent more on durables than most other life cycle groups, but were outspent by most other life cycle groups with respect to recreation and hobby items. Married two-worker families also spent more on durables and less on hobby and recreation items than married one-worker families.

Impact of Family Income

As in previous years, total amounts spent on household durables increased with the level of family income during 1977. Table 3 indicates that from a low of $280 for those families earning less than $5,000, the median amount spent on household durables increased to $720 for those families earning $25,000 or more. Likewise, among families in the lowest income group who purchased at least one household durable, only 27 percent spent $500 or more compared with nearly 70 percent among families in the highest income bracket (see Charts 6 and 7).

Total amounts spent on recreation and hobby items generally increased with the level of family income, although the differences were not as large as those recorded for household durables. Except for the lowest income group, which outspent the next higher income group by $80 ($250 versus $170), the median amount spent on recreation and hobby items increased with the level of family income. Among families earning $25,000 or more, the median amount spent reached a peak of $490 (Table 9). Only 25 percent of the households in the lowest income group who purchased recreation and hobby items spent $500 or more compared with 50 percent among purchasers in the highest income group (see also Charts 6 and 7).

CHART 6

PERCENTAGE OF PURCHASING FAMILIES SPENDING LESS THAN $500 BY FAMILY INCOME--1977

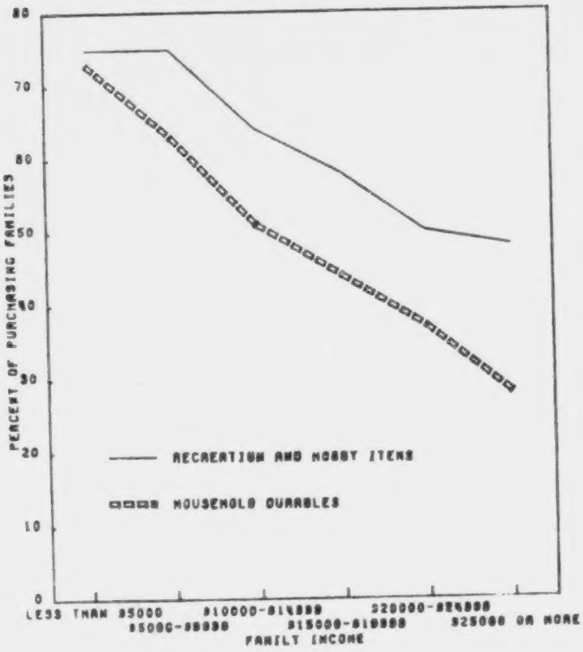
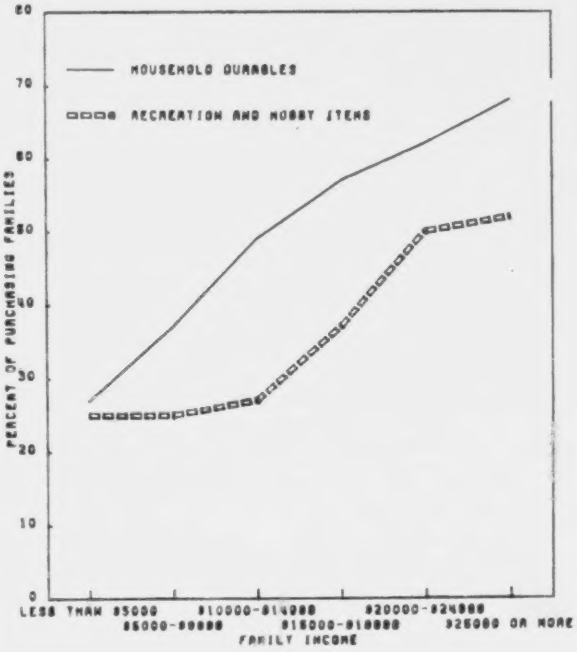


CHART 7

PERCENTAGE OF PURCHASING FAMILIES SPENDING $500 OR MORE BY FAMILY INCOME--1977



Impact of Age of Family Head

Except for family heads younger than age 25, total amounts spent on household durables was inversely related to age of family head (Table 3). From a high of $910 among families with heads between age 24 and 35, the average annual amount spent on household durables decreased to $520 among those heads age 65 or older. Of those family heads between age 24 and 55 who made at least one household durable purchase, 60 percent spent $500 or more. Only 37 percent of family heads age 65 or older who purchased at least one household durable spent $500 or more.

The relationship between amounts spent on recreation and hobby items and age of family head differed from that exhibited for household durables. Although the likelihood a family would make a recreation and hobby item purchase declined with age, amounts spent on recreation and hobby items for the most part increased along with the age of the family head (Table 9). From a low of $240 for family heads younger than age 25, the median amount spent on recreation and hobby items rose to $510 for those heads aged 45-54, fell to $390 for those heads aged 55-64, and then increased to $500 for family heads age 65 or older. The same pattern held for average amounts spent.

Impact of Life Cycle, Number of Workers, and Housing Status

On average, married heads younger than age 45 outspent most other life-cycle stages with respect to household durables (Table 3). Of those married heads younger than age 45 that purchased at least one household durable, 60 percent spent $500 or more. In contrast, only 40 percent of single heads spent $500 or more on household durables. The situation differs for amounts spent on recreation and hobby items. Although married heads younger than age 45 were the most likely life-cycle group to purchase a recreation and hobby item, this group was outspent by most other life-cycle groups. Among married heads younger than age 45 who made at least one recreation and hobby item purchase, only 50 percent spent $500 or more (Table 9).

Married, two-worker families spent more on household durables than married, one-worker families (Table 3). Among married, two-worker families who purchased at least one household durable, 60 percent spent $500 or more compared to 50 percent for married, one-worker families. The opposite held true for amounts spent on recreation and hobby items. Married, one-worker families reported a higher median amount spent ($410 to $350) and a higher average amount spent ($1,070 to $940) than married, two-worker families. Of married, one-worker families who purchased at least one recreation and hobby item, 43 percent spent $500 or more compared to 40 percent for married, two-worker families (Table 9).

Families who bought a house within three years of the survey spent more on household durables than families who moved into rentals within the same three year period. Moreover, those families who recently purchased a house spent more on household durables than those families who bought a house at least three years prior to the survey. Families who recently moved into rentals also outspent those who moved into rentals at least three years prior to the survey (see Table 3). Families who bought their house during the period 1974-1977 spent an average amount of $910 compared to $680 for those families who bought their houses prior to 1974. Families who moved into a rental during 1974-1977 spent an average amount of $640 compared to $480 for those families who moved into their rental prior to 1974. Of families who purchased a home during 1974-1977, 63 percent spent $500 or more on household durables compared to only 40 percent for families who moved into a rental prior to 1974.

Means of Payment for Household Durables, Recreation and Hobby Items--1977

Means of Payment for Household Durable Purchases

Cash remained the most common means of payment for household durable purchases during 1977. Excluding those purchases in which the means of payment could not be ascertained, two-thirds of all household durable purchases were made with cash, while the remaining one-third was divided fairly evenly between installment debt and credit cards (Chart 8 and Table 4). With the exception of the miscellaneous household durable category, roughly two-thirds of each specific household durable was purchased with cash (Table 6). The use of cash declined as the purchase price of the household durable increased. For transactions involving more than $1,000, slightly over one-half used cash. The use of installment debt increased to over one-third of all such transactions (Chart 9 and Table 4).

CHART 8

MEANS OF PAYMENT FOR HOUSEHOLD DURABLES-1977
(PERCENTAGE DISTRIBUTION OF PURCHASES)

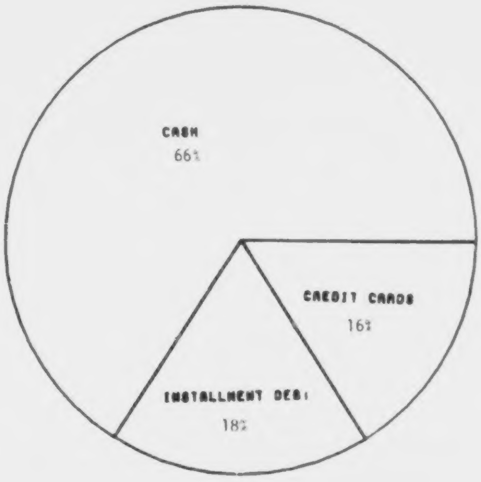
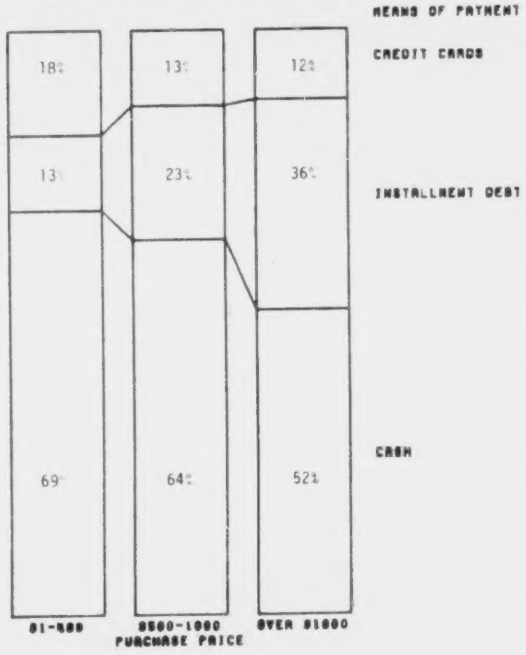


CHART 9

MEANS OF PAYMENT FOR HOUSEHOLD DURABLES BY PURCHASE PRICE-1977
(PERCENTAGE DISTRIBUTION OF PURCHASES)



Among families who purchased a household durable and used installment debt, roughly twice as many received their line of credit from the store of purchase than from either banks or finance companies/credit unions. However, as the price of an item increased to over $1,000, approximately one-half of all installment debt purchasers received their line of credit from banks (Table 4). Among credit card purchases, store cards were four times more likely to be used than bank cards. While the use of bank cards did increase relative to store cards for larger priced purchases, store cards were still more than twice as likely to be used for items costing more than $1,000 (Table 4).

Means of Payment for Recreation and Hobby Item Purchases

Similar to household durables, the vast majority of all recreation and hobby item purchases were made with cash. Unlike household durables, installment debt was twice as likely as credit cards to be used for credit purchases (Chart 10 and Table 10). The use of cash declined rapidly as the purchase price of recreation and hobby items increased. For transactions involving more than $1,000, slightly over one-half were purchased by cash. The use of installment debt increased to nearly one-half of all such transactions (Chart 11 and Table 10).

Unlike household durables, among those families who purchased recreation and hobby items and used installment debt, nearly twice as many received their line of credit from banks than from either store of purchase or finance company/credit union (Table 10). Among credit card purchases, store cards were twice as likely to be used as bank cards. However, as the purchase price of recreation and hobby items increased to over $1,000, nearly all credit card purchases were made with bank, not store cards (Table 10).

CHART 10

MEANS OF PAYMENT FOR RECREATION AND HOBBY ITEMS-1977
(PERCENTAGE DISTRIBUTION OF PURCHASES)

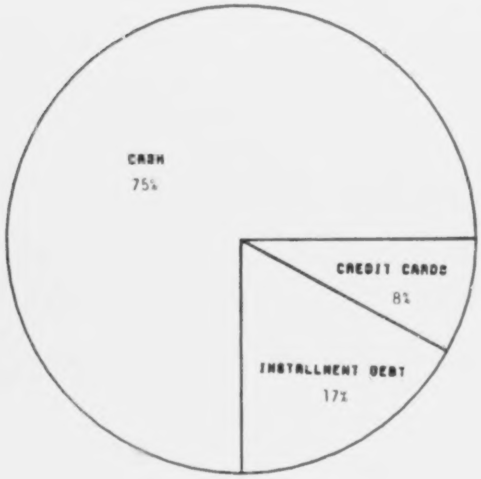
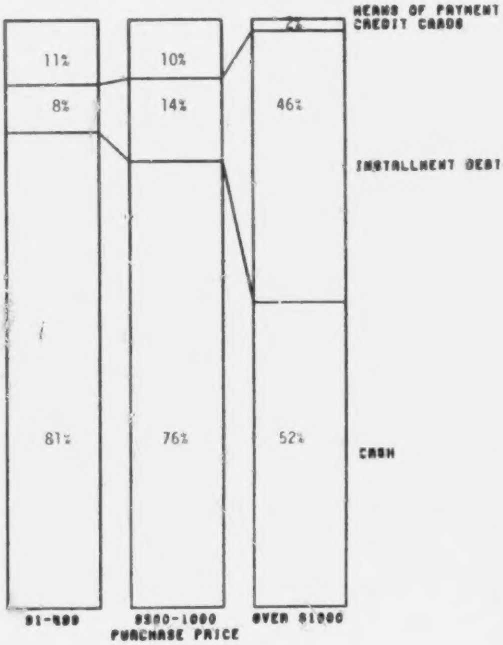


CHART 11

MEANS OF PAYMENT FOR RECREATION AND HOBBY ITEMS BY PURCHASE PRICE-1977
(PERCENTAGE DISTRIBUTION OF PURCHASES)



A Closer Look at Credit Purchases by Selected Demographic Groups

Table 3 indicates that the use of credit was fairly similar among all income brackets (roughly 50 percent) except for the lowest and highest, where only 33 percent of purchasing families used credit to finance household durable purchases. Of those families earning less than $5,000 who used credit to finance a household durable purchase, 77 percent used intallment debt compared with only 44 percent for families earning $25,000 or more (Table 5).

Fifty percent of families who purchased a household durable and were younger than age 35 used credit to finance all or part of at least one household durable purchase. The proportion of families using credit monotonically declined as family heads became older. Only 19 percent of household durable purchasing families with heads age 65 or older used credit (Table 3 and Chart 12). Seventy-one percent of families who used credit to finance a household durable purchase and were younger than age 25 used installment debt compared with only 44 percent for families age 65 or older (Table 5 and Chart 12). Family heads age 55 or older were the only age group to prefer credit cards/charge accounts to installment debt when using credit to finance a household durable purchase.

The presence of children in married couples, particularly those with children under age six, increased the likelihood that credit would be used for household durable purchases (Table 9). Among married families with children who purchased household durables, 50 percent used credit for at least one household durable purchase, compared with only 33 percent among married couples with no children at home. Among household durable purchasers, credit was used more frequently by married, two-worker families (51 percent) than married, one-worker families (43 percent). In those cases where household durable purchasing families bought a house during 1974 and 1977, 50 percent used credit for at least one household durable purchase compared with 33 percent for those families who bought a house prior to 1974 (Table 9).

Of families who purchased at least one recreation and hobby item, those earning less than $5,000 were most likely to use credit to finance all or part of a recreation and hobby purchase in 1977 (46 percent). Furthermore, this income group was the only income group more likely to use credit to finance recreation and hobby item purchases than household

CHART 12

USE OF CREDIT FOR HOUSEHOLD DURABLES BY AGE OF FAMILY HEAD-1977

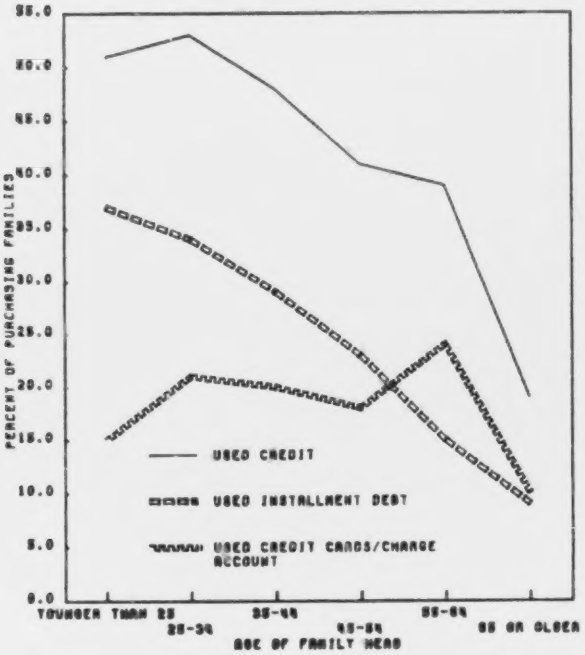
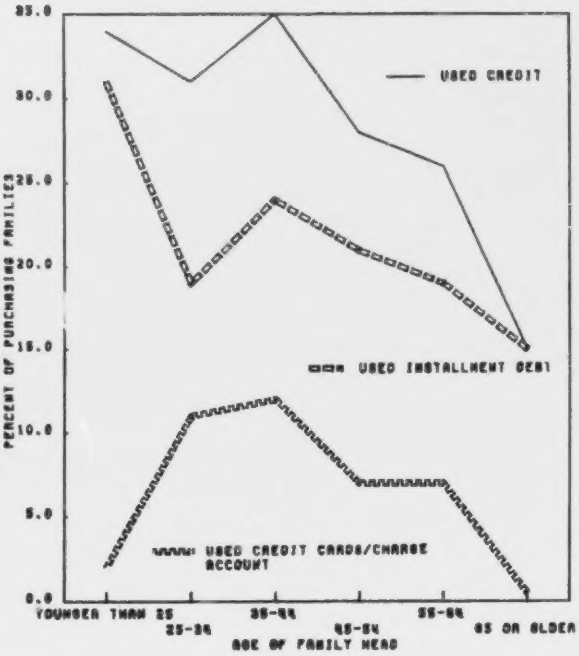


CHART 13

USE OF CREDIT FOR RECREATION AND HOBBY ITEMS BY AGE OF FAMILY HEAD-1977



durable purchases (Table 3 and 9). All income groups clearly preferred installment debt to credit cards/charge accounts when using credit to finance a recreation and hobby item, although the absolute difference generally declined as family income increased (Table 11).

Like household durables, the proportion of families using credit to finance at least one recreation and hobby item purchase declined with age of the family head (Table 9). Of those families who purchased at least one recreation and hobby item and were younger than age 44, 33 percent used credit compared with only 15 percent for family heads age 65 or older. All age groups showed a definite preference for installment debt over credit cards/charge accounts when using credit to finance a recreation and hobby item. Of families using credit to finance a recreation and hobby item purchase, virtually all heads in the younger than age 25 and 65 or older age groups used installment debt than credit cards/charge accounts (Chart 13 and Table 11).

A Closer Look at Cash Purchases by Selected Demographic Groups

Table 5 indicates that the use of cash for payment of household durable purchases was similar among all income groups (approximately 60 percent) except the highest, where the likelihood of using cash was somewhat greater (72 percent). Family heads age 65 or older was the most likely age group to use cash. Among family heads age 65 or older who purchased at least one household durable, 80 percent used cash compared with about 60 percent for each of the other age groups. Married, retired heads with no children were the most likely life cycle to use cash to purchase a household durable (83 percent). Table 11 indicates that essentially the same relationships held true for recreation and hobby item purchases.

TABLE 1

PURCHASES OF HOUSEHOLD DURABLES: 1962-1977[a]

(Percentage distribution of families)

	Purchases of Household Durables[b]					
	1962	1964	1966	1968	1969	1977[a]
Families Purchasing						
Percentage	45	44	48	48	45	41
Percent using credit[c] (buyers only)	d	d	43	42	39	44
Percent purchasing two or more appliances[f]	d	d	10	14	11	8
Amount spent						
Zero	55%	56%	52%	52%	55%	59%
$1-499	32	31	33	31	27	19
$500 or more	12	12	15	17	18	21
Amount not ascertained	1	1	*	*	*	1
Total	100%	100%	100%	100%	100%	100%
Average amount (buyers only)	$420	$450	$440	$500	$560	$750
Median amount (buyers only)	d	d	$310	$370	$400	$520
Price Index for Durables[e] (1972=100)	84	86	86	91	93	130

---

[a] 1977 represents the year August 1976 - July 1977.

[b] Includes purchases of new and used household appliances. Durables other than cars refer to all items of movable furniture and all electrical and gas appliances not permanently built-in or attached to the dwelling structure. Personal effects, recreation items, nonhousehold items (like lawn mowers), and nonappliance household items are not included.

[c] At least one durable was a credit card or charge account purchase or a loan was used for some part of purchase.

[d] Not available.

[e] Consumer durable goods (U.S. Dept. of Commerce, Bureau of Economic Analysis).

[f] Includes only the following items: TV set (color or black and white), refrigerator, washing machine, stove, dryer, dishwasher, air conditioner, sewing machine, radio, record playing equipment, tape recorder, freezer, and for 1966, 1968, and 1969 -- humidifier and de-humidifier.

*Less than 0.5 percent.

Source: 1967 SCF, 1970 SCF, and 1977 SCF.

TABLE 2

PURCHASES OF HOUSEHOLD DURABLES BY INCOME, AGE, AND LIFE CYCLE: 1962-1977[a]

(Percentage distribution of all families)

	Proportion that Purchased					
	1962	1964	1966	1968	1969	1977[c]
All families	45%	44%	48%	48%	45%	41%
Family Income Quintiles						
Lowest	18	28	31	28	26	26
Second	34	39	47	44	40	41
Third	46	45	51	56	49	43
Fourth	52	55	59	55	56	50
Highest	55	54	63	62	57	57
Age of Family Head						
Younger than 25	46	63	61	56	51	54
25-34	57	55	64	65	57	49
35-44	53	55	58	54	53	51
45-54	48	43	47	50	47	40
55-64	37	31	39	39	39	33
65 or older	24	24	28	27	25	24
Life Cycle of Family Head						
Younger than Age 45						
Unmarried	33	35	37	43	31	36
Married, no children	69	67	65	64	57	60
Married, has children	56	59	63	64	58	55
Age 45 or Older						
Married, has children	44	43	57	47	48	46
Married, no children	39	35	39	43	40	32
Unmarried	b	b	b	24	22	25

---

[a] Represents the year August 1976 - July 1977.

[b] Not available.

[c] The question asked was: "How about large things for the home -- did you buy anything in 1976 or 1977 such as furniture, a refrigerator, stove, washing machine, color television set, air conditioner, other household appliances, and so on?"

Note: The term "no children" means no children under age 18 living at home.

Source: 1967 SCF, 1970 SCF, 1977 SCF.

TABLE 3

HOUSEHOLD DURABLE PURCHASES BY INCOME, AGE, LIFE CYCLE, EDUCATION, HOUSING STATUS, REGION, NUMBER OF WORKERS, AND BELT CODE -- 1977

(Percentage distribution of all families)

	Amounts Spent on Household Durable Purchases										
	Did Not Purchase	Less than $500	$500-1,999	$2,000 or more	Not ascertained	Total	Purchased Two or More	Used Credit^{a,b}	Median Spent^{b}	Average Spent^{b}	Cases^{c}
All families	59%	19%	19%	2%	1%	100%	16%	44%	$520	$750	2563
Family Income											
Less than $5,000	78	16	6	*	*	100%	7	33	280	370	343
$5,000-9,999	62	24	13	1	*	100%	15	48	400	480	441
$10,000-14,999	59	21	18	2	*	100%	16	57	480	630	446
$15,000-19,999	54	20	25	1	*	100%	19	50	550	670	342
$20,000-24,999	48	19	29	3	1	100%	23	54	640	830	262
$25,000 or more	43	16	33	6	2	100%	25	35	720	1220	386
Age of Family Head											
Younger than Age 25	46	30	22	2	*	100%	25	51	410	580	225
25-34	51	21	24	3	1	100%	22	53	570	910	587
35-44	49	22	24	4	1	100%	22	48	570	880	402
45-54	60	15	23	1	1	100%	14	41	570	740	437
55-64	67	17	14	1	1	100%	11	39	460	540	429
65 or older	76	14	8	1	1	100%	7	19	410	520	472
Life cycle of Family Head											
Under Age 45											
Unmarried, no children	64	19	15	2	*	100%	15	57	450	800	221
Married, no children	39	25	30	5	1	100%	30	44	620	850	200
Married, youngest child under age 6	45	26	25	3	1	100%	24	57	550	890	406
Married, youngest child age 6 or older	44	22	31	3	*	100%	24	49	620	810	250

TABLE 3 (continued)

	Amounts Spent on Household Durable Purchases										
	Did Not Purchase	Less than $500	$500-1,999	$2,000 or more	Not ascertained	Total	Purchased Two or More	Used Credit[a,b]	Median Spent[b]	Average Spent[b]	Cases[c]
Life Cycle of Family Head (cont'd)											
Age 45 or Older											
Married, has children	54%	19%	24%	1%	2%	100%	18%	53%	$520	$650	258
Married, no children, head in labor force	64	16	19	1	*	100%	12	31	530	650	362
Married, no children, head retired	75	12	12	*	1	100%	8	17	460	550	262
Unmarried, no children, head in labor force	71	14	14	*	1	100%	8	43	460	500	132
Unmarried, no children, head retired	80	13	6	1	*	100%	5	24	360	500	270
Any Age											
Unmarried, has children	63	20	14	2	1	100%	17	39	420	610	182
Education of Family Head											
8th grade or less	73	17	9	*	1	100%	8	41	390	500	450
Some high school	63	19	18	*	*	100%	15	46	470	570	406
High school graduate	55	21	22	1	1	100%	17	48	530	700	769
Some college	54	19	23	3	1	100%	21	43	590	870	484
College graduate	55	16	23	5	1	100%	20	41	630	1020	430
Region											
Northeast	59	22	16	2	1	100%	15	39	450	660	540
North Central	56	18	23	2	1	100%	19	45	560	750	740
South	63	17	16	3	1	100%	14	50	500	800	807
West	57	19	21	2	1	100%	18	39	540	800	476
Number of Workers											
Unmarried, 1 worker	64	18	16	1	1	100%	16	52	460	720	466
Married, 1 worker	54	22	21	2	1	100%	19	43	510	770	822
Married, 2 workers	46	20	30	3	1	100%	23	51	610	850	642
No workers, retired, housewife	76	14	9	1	1	100%	8	24	390	540	629

TABLE 3 (continued)

	Amounts Spent on Household Durable Purchases										
	Did Not Purchase	Less than $500	$500-1,999	$2,000 or more	Not ascertained	Total	Purchased Two or More	Used Credit[a,b]	Median Spent[b]	Average Spent[b]	Cases[c]
Housing Status											
Own House											
Bought 1974-1977	46%	18%	29%	5%	2%	100%	27%	53%	$650	$910	486
Bought prior to 1974	63	18	17	1	1	100%	12	36	480	680	1266
Rent											
Moved in 1974-1977	56	22	19	2	1	100%	20	46	450	640	470
Moved in pr8oor to 1974	70	18	12	*	*	100%	10	55	410	480	242
Neither owns nor rents	57	15	27	1	*	100%	21	63	650	720	75
Belt Code											
Central cities of 12 largest SMSAs	58	12	28	1	1	100%	17	52	600	690	189
Central cities of other SMSAs	58	21	18	2	1	100%	17	44	500	850	490
Suburban areas of 12 largest SMSAs	59	20	18	2	1	100%	14	37	500	780	375
Suburban areas of other SMSAs	61	17	18	2	2	100%	15	49	540	710	585
Adjacent areas of SMSAs	60	19	19	1	1	100%	17	42	520	780	586
Outlying areas of SMSAs	57	21	19	2	1	100%	19	45	500	630	338

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*Less than 0.5 percent.

[a] Credit was used for at least one household durable purchase.

[b] Based only on families making a purchase.

[c] Cases do not total "all families" figure (2563) because "don't know" and "not ascertained" have been deleted in each part of the table.

Source: 1977 SCF.

TABLE 4

MEANS OF PAYMENT FOR HOUSEHOLD DURABLE PURCHASES
(Percentage distribution of purchases)

Means of Payment	All Purchases	Purchase Price		
		$1-499	$500-1,000	Over $1,000
Cash	62%	65%	59%	46%
Installment Debt	17	12	21	32
Source				
Store	8	6	8	10
Bank	4	3	5	15
Finance Co./ Credit Union	4	2	7	7
Other	1	1	1	*
Credit Cards	15	17	14	10
Type				
Bank	3	3	3	3
Store	12	14	11	7
Not available	6	6	8	12
Total	100%	100%	100%	100%
Cases	2,767	1,852	602	231
Mean income among buyers	$17,079	$13,857	$18,277	$23,457
Mean age among buyers	42	42	42	38

---

*Less than 0.5 percent.

Source: 1977 SCF.

TABLE 5

HOUSEHOLD DURABLE PURCHASES AND METHOD OF PURCHASE BY INCOME, AGE, LIFE CYCLE, EDUCATION, REGION, AND NUMBER OF WORKERS -- 1977

(Percentage distribution of all families)

	Did Not Purchase	Purchased at Least One Item	Method of Purchase[a,b]		
			Cash	Loan	Credit Card or Charge Account
All families	59%	41%	64%	26%	19%
Family Income					
Less than $5,000	78	22	65	27	8
$5,000-9,999	62	38	61	31	18
$10,000-14,999	59	41	54	38	20
$15,000-19,999	54	46	60	30	21
$20,000-24,999	48	52	62	27	27
$25,000 or more	43	57	72	15	19
Age of Family Head					
Younger than 25	46	54	65	37	15
25-34	51	49	60	34	21
35-44	49	51	61	29	20
45-54	60	40	61	23	18
55-64	67	33	67	15	24
65 or older	76	24	80	9	10
Life Cycle of Family Head					
Under Age 45					
Unmarried, no children	64	36	57	33	25
Married, no children	39	61	72	26	19
Married, youngest child under age 6	45	55	54	37	21
Married, youngest child age 6 or older	44	56	62	34	16
Age 45 or Older					
Married, has children	54	46	51	27	25
Married, no children, head in labor force	64	36	72	10	21
Married, no children, head retired	75	25	83	8	9
Unmarried, no children, head in labor force	71	29	59	28	15
Unmarried, no children, head retired	80	20	76	11	13
Any Age					
Unmarried, has children	63	37	70	29	13
Education of Family Head					
8th grade or less	73	27	61	32	10
Some high school	63	37	60	27	20
High school graduate	55	45	63	31	18
Some college	54	46	66	27	18
College graduate	55	45	67	16	26
Region					
Northeast	59	41	69	18	22
North Central	56	44	64	26	20
South	63	37	56	33	18
West	57	43	69	26	15
Number of Workers					
Unmarried, 1 worker	64	36	60	34	20
Married, 1 worker	54	46	63	26	18
Married, 2 workers	46	54	60	29	23
No workers, retired, housewife	76	24	78	13	11

---

[a] Based only on those families making a purchase.

[b] May exceed 100% because of multiple purchases.

Source: 1977 SCF.

TABLE 6

PURCHASES OF SPECIFIC HOUSEHOLD DURABLES, PRICES PAID, AND METHOD OF PURCHASE: 1966-1977

(Percentage distribution of all families)

	Color TV			Refrigerator			Stove, Range, or Microwave Oven			Washing Machine		
	1966	1969	1977	1966	1969	1977	1966	1969	1977	1966	1969	1977
Proportion of Families Purchasing	a	9%	6%	9%	8%	6%	7%	5%	4%	9%	8%	6%
Price Paid (proportion of purchases)												
$1-99	a	a	2	19	11	7	23	17	6	16	10	5
$100-199	a	a	5	11	16	7	37	27	4	38	27	9
$200-249	a	a	2	16	11	4	18	19	10	27	32	15
$250-299	a	a	3	19	18	5	9	12	6	11	14	25
$300-399	a	a	23	24	26	18	9	20	32	5	14	37
$400-499	a	a	23	6	10	28	2	3	12	3	1	5
$500 or more	a	a	40	5	8	29	2	2	20	*	2	2
Not ascertained	a	a	2	*	*	2	*	*	10	*	*	2
Total			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Average Price Paid	a	a	$460	$250	$270	$400	$180	$210	$370	$190	$220	$280
Proportion of purchases involving:												
Cash	a	a	58	64	67	61	68	63	63	59	64	56
Loan	a	a	21	36	33	22	32	37	21	41	36	26
Credit cards	a	a	18	a	a	16	a	a	12	a	a	16
Not ascertained	a	a	3	*	*	1	*	*	4	*	*	2
Total			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cases	a	a	213	215	210	208	214	127	128	276	190	201

	Furniture[b]			Air Conditioner			Other Major Appliances[c]			Other Durables or Appliances[d]		
	1966	1969	1977	1966	1969	1977	1966	1969	1977	1966	1969	1977
Proportion of Families Purchasing	20%	18%	17%	4%	3%	2%	6%	9%	7%	3%	3%	2%
Price Paid (proportion of purchases)												
$1-99	16	8	6	a	a	4	a	a	3	a	a	15
$100-199	21	15	11	a	a	18	a	a	17	a	a	20
$200-249	9	11	6	a	a	13	a	a	14	a	a	11
$250-299	7	6	5	a	a	14	a	a	20	a	a	9
$300-399	11	10	11	a	a	21	a	a	22	a	a	20
$400-499	7	8	13	a	a	11	a	a	16	a	a	7
$500 or more	29	42	46	a	a	18	a	a	5	a	a	11
Not ascertained	*	*	2	a	a	1	a	a	3	a	a	7
Total	100%	100%	100%			100%			100%			100%
Average Price Paid	$430	$630	$740	a	a	$340	a	a	$290	a	a	$290
Proportion of purchases involving:												
Cash	59	64	58	a	a	65	a	a	59	a	a	40
Loan	41	36	25	a	a	19	a	a	19	a	a	36
Credit cards	a	a	14	a	a	15	a	a	19	a	a	24
Not ascertained	*	*	3	a	a	1	a	a	3	a	a	*
Total	100%	100%	100%			100%			100%			100%
Cases	608	428	696	a	a	72	a	a	255	a	a	55

---

[*] Less than 0.5 percent.

[a] Not available; [b] Includes pianos and organs; [c] Refers to dryers, dishwashers, and freezers; [d] Includes all other electrical appliances and household durables, i.e., vacuum cleaners, mixers, irons, toasters, electric blankets, lamps, etc.

Source: 1967 SCF, 1970 SCF, and 1977 SCF.

TABLE 7

PURCHASES OF RECREATION AND HOBBY ITEMS, AMOUNT SPENT, AND USE OF CREDIT: 1967-1977

(Percentage distribution of families)

	Recreation and Hobby Items			
	1967	1968	1969	1977
Did not purchase	81%	81%	83%	87%
Purchased at least one item	19	19	17	13
Amount spent:[a]				
Less than $500	16	16	13	7
$500 or more	3	3	4	6
Not ascertained	*	*	*	*
Total	100%	100%	100%	100%
Percent Using Credit[b]	21	20	22	30
Median Amount Spent[b]	$154	$150	$170	$350
Average Amount Spent[b]	$360	$430	$480	$1030
Number of families	2,677	2,317	2,576	2,563

---

*Less than 0.5 percent.

[a] Before deduction of trade-in; includes amount borrowed.

[b] Based only on families making at least one purchase.

Source: 1968 SCF, 1969 SCF, 1970 SCF, and 1977 SCF.

TABLE 8

PURCHASES OF RECREATION AND HOBBY ITEMS WITHIN VARIOUS DEMOGRAPHIC GROUPINGS IN 1964, 1969, AND 1977[a]

(Percentage distribution of families)

	Percent Purchasing				Percent Using Credit on at Least One Purchase			
	1964	1968	1969	1977[a]	1964	1968	1969	1977[a]
All families	16%	18%	17%	13%	3%	4%	4%	4%
Family Income Quintiles								
Lowest	3	7	5	5	*	1	1	2
Second	10	13	12	9	*	2	2	2
Third	15	18	19	15	3	5	5	5
Fourth	23	29	22	14	4	9	5	6
Highest	28	30	28	11	2	4	6	6
Age of Family Head								
Younger than age 25	22	27	22	19	7	5	6	6
25-34	22	24	25	20	5	6	6	6
35-44	21	26	25	18	2	7	5	7
45-54	16	24	18	15	3	3	4	4
55-64	11	11	9	7	*	2	2	2
65 and older	4	6	5	3	*	*	*	*
Life Cycle of Family Head								
Under Age 45								
Unmarried, no children	20	20	17	18	5	2	2	3
Married, no children	17	29	28	23	5	4	6	9
Married, youngest child under age 6	22	25	26	19	6	7	7	7
Married, youngest child age 6 or older	28	31	28	24	1	8	7	8
Age 45 or Older								
Married, has children	15	18	19	14	2	3	6	5
Married, no children, head in labor force	13	15	14	11	2	2	2	3
Married, no children, head retired	5	9	6	6	*	1	*	*
Unmarried, no children, head in labor force	11	13	7	5	*	2	1	1
Unmarried, no children, head retired	4	3	2	1	*	*	*	1
Any Age								
Unmarried, has children	7	11	9	7	3	3	2	2
Region								
Northeast	14	18	20	10	1	3	3	3
North Central	21	20	16	17	5	5	4	5
South	10	13	13	10	1	3	3	3
West	20	25	23	16	5	5	6	5

---

*Less than 0.5 percent.

[a] Represents the year August 1976 - July 1977.

[b] The question asked was: "Now about large expenditures for recreation and hobby items--for instance, camping equipment, a vacation trailer, stereo or photographic equipment, a musical instrument, power tools, a boat or sports equipment--did you buy anything of this sort?"

Source: 1970 SCF, and 1977 SCF.

TABLE 9

RECREATION AND HOBBY PURCHASES BY INCOME, AGE, LIFE CYCLE, EDUCATION, REGION, NUMBER OF WORKERS, AND HOUSING STATUS -- 1977

(Percentage distribution of all families)

	Amounts Spent on Recreation and Hobby Purchases										
	Did Not Purchase	Less than $500	$500-1,999	$2,000 or more	Not Ascer-tainable	Total	Purchased Two or More	Used Credit[a,b]	Median Spent[b]	Average Spent[b]	Cases
All families	87%	7%	4%	2%	*	100%	3%	30%	$350	$1030	2563
Family Income											
Less than $5,000	96	3	1	*	*	100%	1	46	250	670	343
$5,000-9,999	92	6	1	1	*	100%	2	32	170	610	441
$10,000-14,999	89	7	2	1	1	100%	2	25	170	610	446
$15,000,19,999	81	11	5	2	1	100%	4	41	330	1080	342
$20,000-24,999	74	13	11	2	*	100%	4	25	460	860	262
$25,000 or more	79	10	8	3	*	100%	5	27	490	1420	586
Age of Family Head											
Younger than age 25	81	13	3	2	1	100%	4	34	240	780	225
25-34	80	11	6	2	1	100%	4	31	280	100	587
35-44	82	10	6	2	*	100%	5	35	380	1060	402
45-54	85	6	6	2	1	100%	3	28	510	1340	437
55-64	93	4	2	1	*	100%	1	26	390	840	429
65 or older	97	1	1	1	*	100%	*	15	500	2010	472
Life Cycle of Family Head											
Under Age 45											
Unmarried, no children	82	13	3	2	*	100%	4	17	220	970	221
Married, no children	77	15	5	2	1	100%	6	36	280	870	200
Married, youngest child under age 6	81	11	6	1	1	100%	3	38	310	850	406
Married, youngest child age 6 or older	76	12	9	3	*	100%	6	31	470	1090	250
Age 45 or Older											
Married, has children	86	6	5	2	1	100%	3	38	480	1240	258
Married, no children, head in labor force	89	6	4	1	*	100%	2	21	390	970	362
Married, no children, head retired	94	2	2	1	1	100%	1	7	800	1870	262
Unmarried, no children, head in labor force	95	2	2	1	*	100%	*	34	450	2710	132
Unmarried, no children, head retired	99	*	1	*	*	100%	1	50	950	1650	270
Any Age											
Unmarried, has children	93	5	2	*	*	100%	1	23	140	480	182

TABLE 9 (continued)

	Amounts Spent on Recreation and Hobby Purchases										
	Did Not Purchase	Less than $500	$500-1,999	$2,000 or more	Not Ascertainable	Total	Purchased Two or More	Used Credit[a,b]	Median Spent[b]	Average Spent[b]	Cases
Education of Family Head											
8th grade or less	95	3	2	*	*	100%	1	39	$370	$670	450
Some high school	92	4	3	1	*	100%	2	27	600	1000	406
High school graduate	85	8	45	2	*	100%	3	31	330	1000	769
Some college	81	10	6	2	1	100%	4	23	390	1090	484
College graduate	81	12	5	2	*	100%	4	37	280	1130	430
Region											
Northeast	90	6	3	1	*	100%	1	27	310	940	540
North Central	83	9	5	2	1	100%	3	31	340	930	740
South	90	6	3	1	*	100%	2	29	330	1230	807
West	84	9	5	2	*	100%	3	32	410	1050	476
Number of Workers											
Unmarried, 1 worker	88	8	3	1	*	100%	2	20	200	1060	466
Married, 1 worker	84	8	5	2	1	100%	3	35	410	1070	822
Married, 2 workers	80	11	6	2	1	100%	5	33	350	940	642
No workers, retired, housewife	95	2	2	1	*	100%	1	6	470	1250	629
Housing Status											
Own house											
Bought 1974-1977	80	10	7	3	*	100%	3	33	450	1250	486
Bought prior to 1974	88	6	4	1	1	100%	3	30	480	1030	266
Rent											
Moved in 1974-1977	87	10	2	1	*	100%	3	24	270	460	470
Moved in prior to 1974	91	5	2	2	*	100%	3	35	530	1930	242
Neither own nor rent	89	8	2	*	1	100	*	37	270	410	73

---

*Less than 0.5 percent; [a]Credit was used for at least one recreation and hobby item purchase; [b]Based only on families purchase; [c]Cases do not total to "all families" figure (2563) because "don't know" and "not ascertained" have been deleted in each part of the table.

Source: 1977 SCF.

TABLE 10

MEANS OF PAYMENT FOR RECREATION AND HOBBY PURCHASES

(Percentage distribution of purchases)

	Purchase Price			
Means of Payment	All Purchases	$1-499	$500-1,000	Over $1,000
Cash	70%	76%	73%	48%
Installment Debt	16	8	13	43
Source				
Store	4	4	3	3
Bank	7	2	5	25
Finance Co./ credit union	4	2	5	11
Other	1	*	*	4
Credit Cards	8	10	10	2
Type				
Bank	3	4	3	2
Store	5	6	7	*
Not available	6	6	4	7
Total	100%	100%	100%	100%
Cases	263	149	45	64
Average income among buyers	$20,297	$19,113	$24,500	$20,527
Average age among buyers	38	36	40	39

---

*Less than 0.5 percent.

Source: 1977 SCF.

TABLE 11

RECREATION AND HOBBY PURCHASES AND METHOD OF PURCHASE BY INCOME, AGE, LIFE CYCLE, EDUCATION, REGION, AND NUMBER OF WORKERS -- 1977

(Percentage distribution of all families)

			Method of Purchase[a,b]		
	Did Not Purchase	Purchased at Least One Item	Cash	Loan	Credit Card or Charge Account
All families	87%	13%	71%	22%	9%
Family Income					
Less than $5,000	96	4	46	31	15
$5,000,9,999	92	8	71	32	3
$10,000-14,999	89	11	67	22	4
$15,000-19,999	81	19	61	30	11
$20,000-24,999	74	26	78	19	6
$25,000 or more	79	21	77	15	12
Age of Family Head					
Younger than age 25	81	19	67	31	2
25-34	80	20	71	19	11
35-44	82	18	69	24	12
45-54	85	15	69	21	7
55-64	93	7	81	19	7
65 or older	97	3	77	15	*
Life Cycle of Family Head					
Under Age 45					
Unmarried, no children	82	18	77	15	5
Married, no children	77	23	68	30	6
Married, youngest child under age 6	81	19	66	21	17
Married, youngest child age 6 or older	76	24	72	23	8
Age 45 or Older					
Married, has children	86	14	59	30	8
Married, no children, head in labor force	89	11	79	14	7
Married, no children, head retired	94	6	87	7	*
Unmarried, no children, head in labor force	95	5	67	33	*
Unmarried, no children, head retired	99	1	75	50	*
Any Age					
Unmarried, has children	93	7	77	15	8
Education of Family Head					
8th grade or less	95	5	61	30	9
Some high school	92	8	73	27	*
High school graduate	85	15	69	25	6
Some college	81	19	75	18	5
College graduate	81	19	71	18	19
Region					
Northeast	90	10	71	22	7
North Central	83	17	70	23	9
South	90	10	69	24	6
West	94	6	76	18	13
Number of Workers					
Unmarried, 1 worker	88	12	80	19	4
Married, 1 worker	84	16	68	24	11
Married, 2 workers	80	20	70	23	10
No workers, retired, housewife	95	5	74	13	3

---

*Less than 0.5 percent; [a]Based only on those families making a purchase; [b]May exceed 100% because of multiple purchases. Source: 1977 SCF.

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CHANGES IN CREDIT CARD USE DURING 1978

by

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Thomas S. Neubig

March 1980 WP12

From 1946 until 1970, the Survey Research Center, with the support of the Federal Reserve Board, conducted an annual Survey of Consumer Finances (SCF). These surveys were updated and enlarged with the 1977 Survey of Consumer Credit (SCC), jointly funded by the Board, the FDIC and the Comptroller of the Currency. The 1977 Survey of Consumer Finances adds to the rich source of cross-sectional data on the distribution of assets, debts, durable goods and financial transactions among American families. This national survey consisted of 2,563 respondents personally interviewed during August 1977.

The 1978 data on credit cards was collected in two national telephone surveys conducted in August and November, 1978. The surveys included 1,559 families reinterviewed in 1978 after having participated in the 1977 SCF and 1,085 families who were interviewed for the first time in 1978.

The authors gratefully acknowledge the assistance of Robert Feldman for data analysis provided in the earlier stages of this working paper.

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CHANGES IN CREDIT CARD USE DURING 1978

Highlights

The role of credit cards in the family budget continued to grow during 1978. In contrast to the increased number of families using more accounts between 1970 and 1977, the growth during 1978 was due to more intensive use of credit cards. American families in 1978 used the credit card debt feature more than in previous years.

-- General attitudes toward credit card use in 1978 were less favorable than in 1977, although still more favorable than in 1970 (Table 1).

-- The proportion of all families using credit cards in 1978 remained at the 1977 level of six-in-ten families. Younger families experienced a slight increase in credit card use.

-- The use of most types of credit cards remained relatively unchanged between 1977 and 1978. The one exception was the use of bank credit cards, which continued its upward trend since 1970. Thirty-nine percent of all families used bank credit cards in 1978, up from 35 percent in 1977 and 16 percent in 1970 (Table 2).

-- The average outstanding balance owed increased 14 percent over the 1977 level to $500 in 1978. In comparison, the average amount charged in the previous month rose eight percent, comparable with the rate of consumer price increases, to $258 in 1978 (Table 2).

-- The proportion of monthly income owed by families with outstanding credit card balances increased from an average 34 percent in 1977 to 41 percent in 1978. The average amount charged as a proportion of monthly income rose from 15 percent in 1977 to 18 percent in 1978. The largest increases occurred among moderate income and middle-aged families (Table 10).

-- The increased use of the debt feature of credit cards continued in 1978. For the first time, families, on average, owed more than they had charged in the previous month (Table 13).

Introduction

This report updates to 1978 the information reported for 1977 in "Credit Card Use Among American Households."[1] Large changes in credit card use are not expected in year-to-year measures of change. Continuation of significant trends, however, can be measured, although small changes may only represent temporary fluctuations or sampling variance.

Attitudes Toward Credit Cards

Attitudes toward credit cards in 1978 were less favorable than in 1977. The proportion of respondents who held favorable attitudes toward the use of credit cards declined by eight percentage points in the 1978 survey from the 1977 level, while those reporting unfavorable attitudes toward credit cards increased by nine percentage-points. Favorable attitudes were still more frequent in 1978 (one-in-two families) than in 1970 (one-in-three families) (Table 1).

General Credit Card Use

The proportion of American families that used credit cards in 1978 remained unchanged from the 1977 level of sixty percent. Those families that reported using credit cards in 1978 were somewhat more likely than in 1977 to have used their credit card within the last month (77 percent) and to have outstanding balances owed (57 percent) than previously. The greater use made of credit cards was not reflected in an increase in the number of credit card accounts held. The average number of accounts held remained unchanged at 5.2 accounts (Tables 2, 3 and 4).

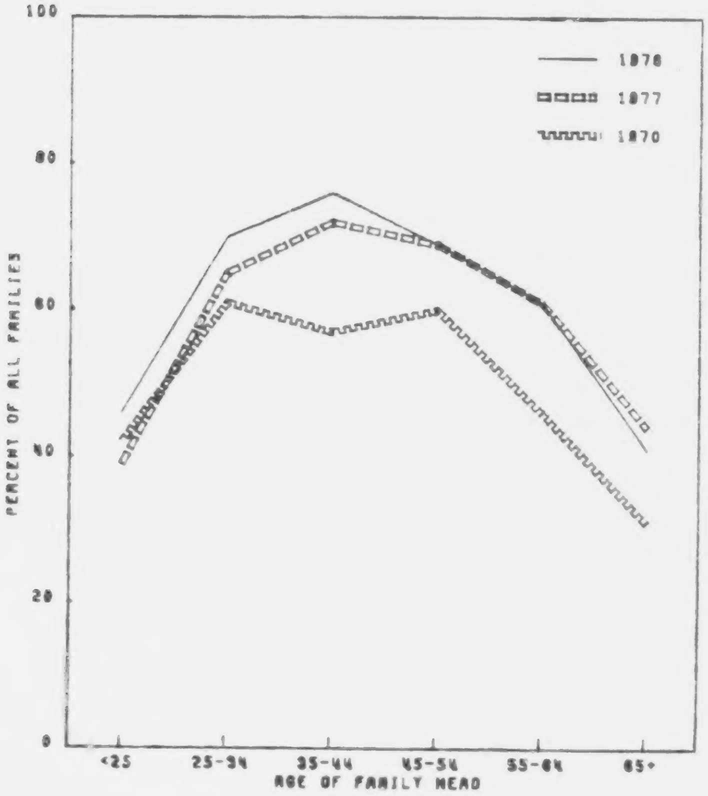
---

[1] 1977 Survey of Consumer Finances Working Paper #6.

The lack of overall change in the use of credit cards combines changes among demographic groups and types of credit cards. Among age groups, family heads younger than 45 were more likely to use credit cards in 1978, as shown in the chart below. In 1978 these young families were also more likely to make charges and have outstanding debt than in 1977. No significant pattern of change in credit card use occurred among income groups (Table 5).

CHART 1

USE OF CREDIT CARDS - 1970 1977 AND 1978



Types of Credit Cards Used

Bank cards were the only card type which experienced a significant increase in use during 1978. Bank credit card use has continued to grow rapidly, rising from 35 percent in 1977 to 39 percent in 1978. The use of other types of credit cards has remained relatively unchanged from 1977 to 1978. Half of all families used store credit cards, one-in-three used gasoline credit cards, and one-in-ten used other credit cards in 1978.

Store Credit Cards

The use of store credit cards in 1978 remained at its 1977 level. Half of all families reported using store cards at least occasionally, while over one-quarter reported using a store card within the past month. One-quarter of all families also owed outstanding balances on store credit cards. The average amounts charged and owed on store credit cards declined slightly in real terms in 1978 from their 1977 level of $120 charged in the previous month and $310 owed in outstanding balances (Table 6).

Additional information on the type of store credit cards used was reported in 1978. Seven-eights of store credit-card owners used a national store card, such as Penney's or Sears, while four-in-ten used local store credit cards.

Twice as many families used national store credit cards as local store credit cards. Local store card use was nearly constant across age, while middle-aged respondents were most likely to have national store cards (see Charts 2 and 3). Average charges were $20 larger on national store cards than on local store cards. National store credit cards also had larger balances than local store credit cards--$280 compared with $155 (Table 7).

CHART 2

USE OF NATIONAL AND LOCAL STORE CREDIT CARDS - 1978

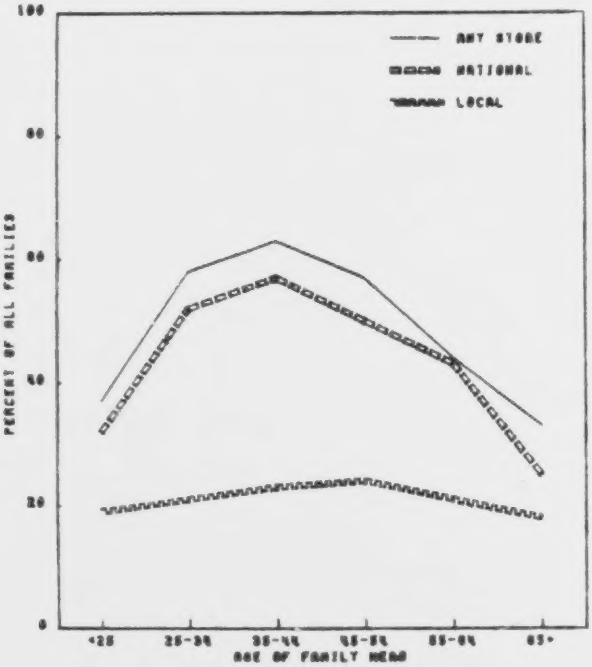
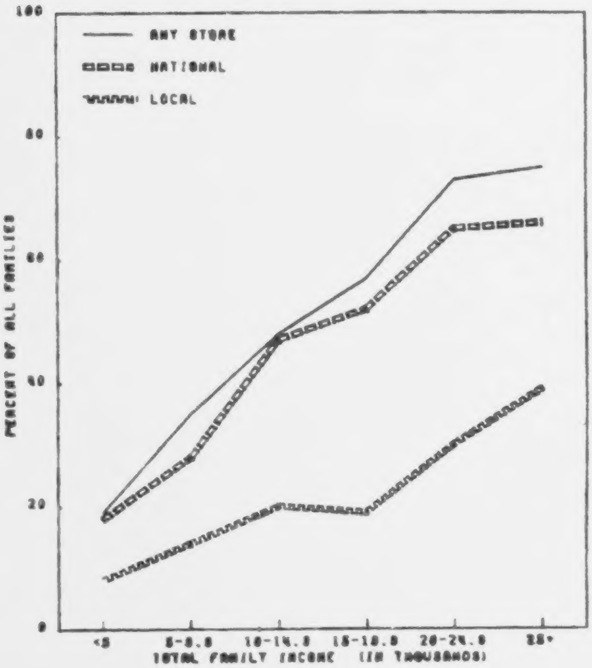


CHART 3

USE OF NATIONAL AND LOCAL STORE CREDIT CARDS BY INCOME - 1978



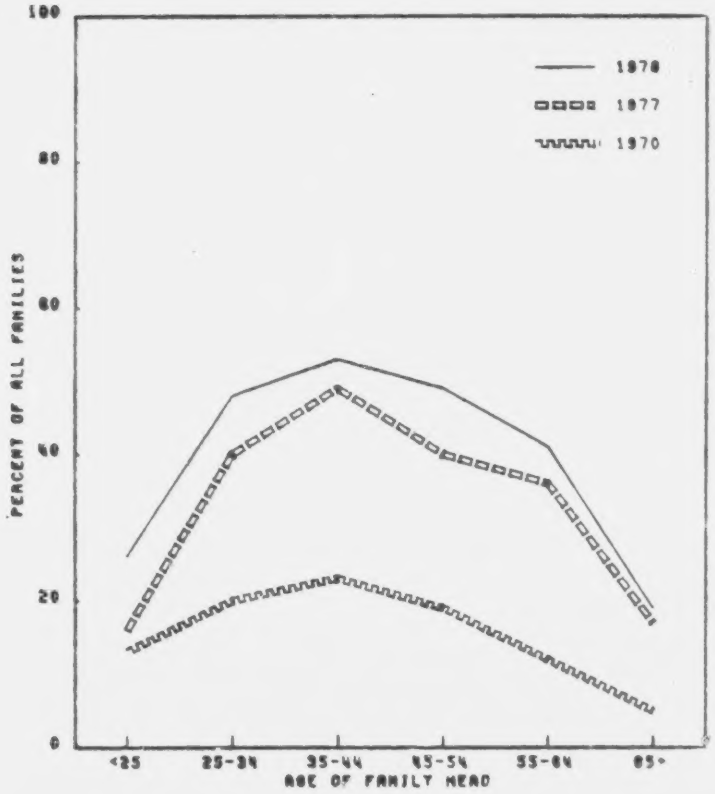
Bank Credit Cards

Bank credit card use continued its rapid growth during 1978. Thirty-nine percent of all families used bank credit cards in 1978, up from 35 percent in 1977 and 16 percent in 1970. The increase in bank credit card use occurred across all income and age groups. The average number of bank card accounts owed continued its upward trend from 1.2 accounts in 1970 to 1.4 in 1977 and 1.5 in 1978.

The percent of all families making charges on bank credit cards within the previous month rose from 22 percent in 1977 to 26 percent in 1978. The average amount charged rose slightly faster than the rate of inflation from $178 to $194 between 1977 and 1978.

CHART 4

USE OF BANK CREDIT CARDS - 1970 1977 AND 1978



More families had credit card debt on bank credit cards in 1978. Nineteen percent of all families had outstanding bank credit card balances in 1978, up from 16 percent in 1977. In that same period, the average outstanding balance increased 25 percent from $330 to $415. The largest increases in outstanding balances were among high-income and middle-aged heads (Table 8).

Gasoline Credit Cards

Despite large increases in gasoline prices, the use of gasoline credit cards, the average charged and balance owed, did not increase but rather fell slightly. Although gasoline credit card use fell slightly among all families, it increased among young respondents. Gasoline credit card debt also increased among the youngest respondents (Table 9).

Proportion of Monthly Income Represented by Credit Card Charges and Balances

The use of credit cards--amount charged and balance owed--increased relative to families' monthly income between 1977 and 1978. Families that used credit cards within the previous month charged an amount equivalent to 18% of their monthly income, up from 15% in 1977 and 9% in 1970. The largest increases in the share of monthly income charged occurred among heads 45 years or older, as shown in the chart below.

CHART 5

PERCENT OF MONTHLY INCOME CHARGED ON CREDIT CARDS BY AGE

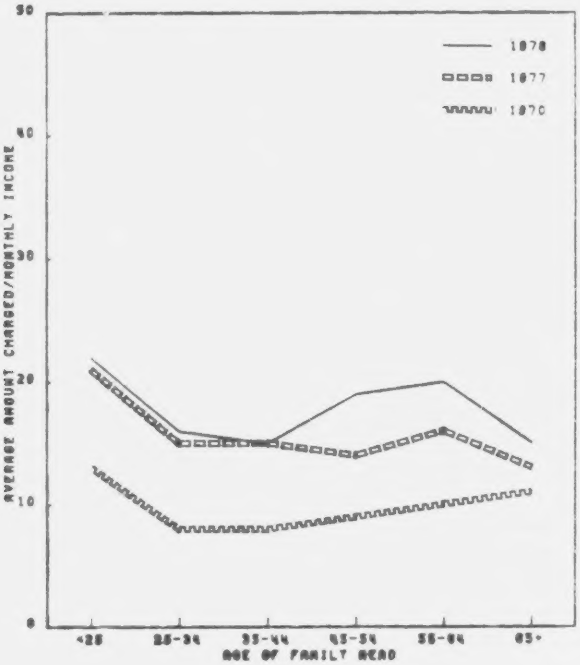


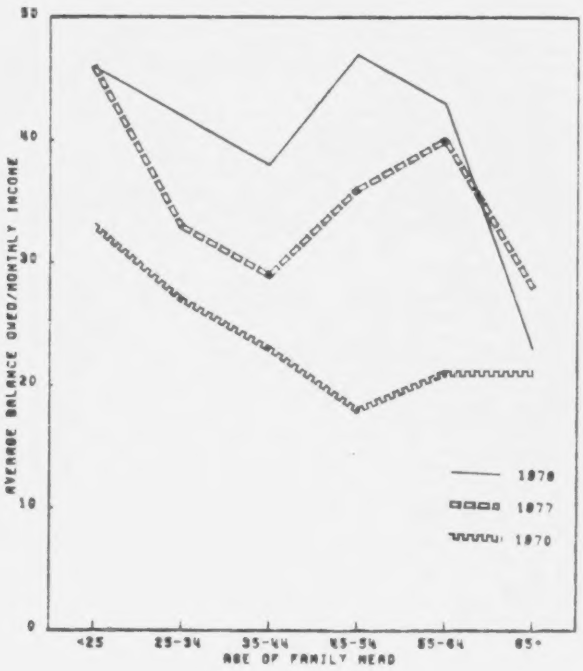
Table 11 shows the distribution of families who used credit cards by the proportion of monthly income charged in the previous month. The proportion of credit card users who charged less than 10% of their monthly income has fallen from 73 percent in 1970, to 62 percent in 1977, and

52 percent in 1978. Twenty percent of families making credit card purchases in 1978 charged 30% or more of their monthly income, up from just 10 percent in 1977.

Families that had outstanding balances on credit cards owed on average 41% of their monthly income in 1978, up from 34% in 1977 and 24% in 1970. The increase occurred primarily among heads age 25 to 54 (see Chart 6).

CHART 6

PERCENT OF MONTHLY INCOME OWED ON CREDIT CARDS BY AGE



Among families with outstanding balances, one-quarter of the families owed over half of their monthly income in 1978. This proportion of families increased from 13 percent in 1970 to 20 percent in 1977 and 26 percent in 1978 (Table 11). This increase occurred at the same time that the proportion of families owing credit card debt increased to 34 percent of all families in 1978, from 22 percent in 1970.

Debt-Transaction Uses of Credit Cards in 1978

Credit cards have become an integral part of American households' budgets because they are substitutes for conventional financial instruments. Credit cards are used to facilitate transactions, replacing the traditional means of exchange through cash or checking accounts. Credit cards can also be used to borrow money, substituting for conventional installment loans. In the past, families used credit cards more for transaction purposes than for debt purposes. Half of all families using bank or store credit cards in 1977 repaid their balances in full within thirty days of billing and nearly one-quarter sometimes paid the full amount. An index number, the debt-transaction figure, summarizes the relative use of credit cards for debt and transaction purposes (see Working Paper #6).[2]

Credit card-using families in 1978 were using the debt features of their credit cards more than ever before. For the first time, the average credit-card using family was using credit cards more for debt purposes than for transaction purposes. In the past, the average family charged more in the previous month than it owed. In 1978 the average credit-card using family owed more than it charged in the previous month.

The relative use of debt compared with transactions increased among bank, gasoline and general purpose credit card users. Only store

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[2] In order to determine which type of response was dominant for different groups of credit users, a debt/transaction figure was calculated as follows:

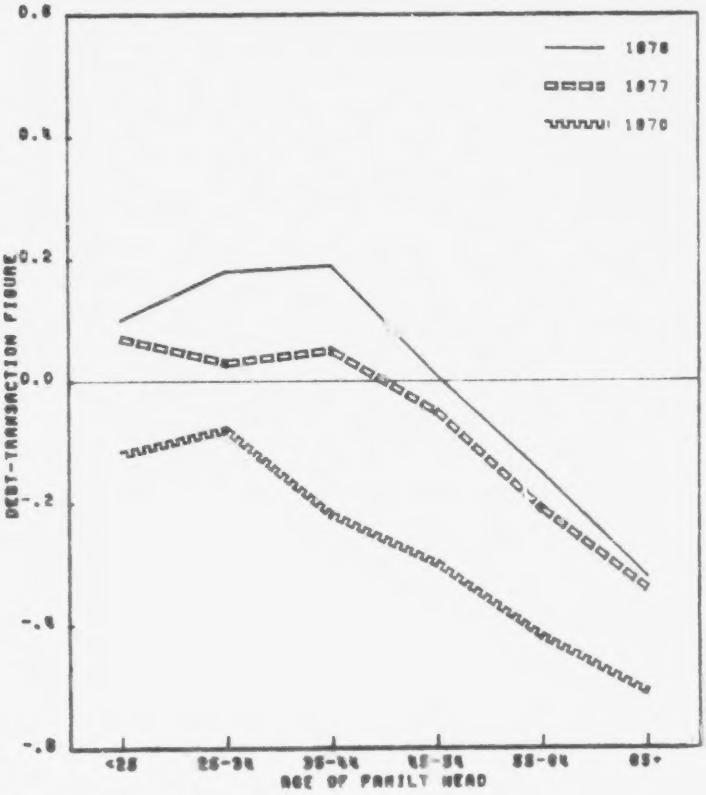
$$\text{Debt/Transaction Figure} = D/T = \frac{(\text{Balance owed - amount charged in previous month})}{(\text{Balance owed + amount charged in previous month})}$$

credit card users did not increase their use of debt relative to transactions. National store credit cards, however, were used more often for debt purposes than local store credit cards (Table 12).

The increased use of debt relative to transactions occurred among all age groups, as shown in Chart 7. The largest increase occurred among heads younger than 45. These families were more likely to use credit cards for debt purposes rather than transaction purposes in 1977. This tendency increased during 1978. Heads age 45 or older were still using credit cards primarily for transaction purposes (Table 13).

CHART 7

AVERAGE DEBT-TRANSACTION FIGURE BY AGE - 1970 1977 AND 1978



Discussion

During 1978, credit card-using families made greater use of these financial instruments. More families became bank credit-card users and held more bank credit-card accounts. This was particularly true of younger families. Credit-card using families increased the proportion of their monthly income which they use to charge purchases on credit cards. They also increased the proportion of monthly income owed in outstanding balances on credit cards.

The extent to which families are utilizing credit card debt, particularly bank credit card debt, has increased quite sharply for a one-year period. This change, however, cannot be viewed in isolation, but must be taken in relation to the household's total financial position. Credit card debt remains a small fraction of total consumer debt. Bank credit card and revolving credit accounted for less than 15 percent of total consumer nonmortgage, nonautomobile debt. Between August 1977 and July 1978, charge accounts increased from 12.2 percent to 13.2 percent of total consumer nonmortgage, nonautombile debt.[3]

The substitution of credit card debt for installment debt may explain part of the growth of credit card debt. The total amount of this substitution at the household level, however, cannot be determined from this data. The increase in credit card indebtedness relative to total family income is not by itself a sign of a greater debt burden on households. (See Working Paper #5 for an evaluation of households' financial positions in 1977.)

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[3] Survey of Current Business, September, 1978.

TABLE 1

ATTITUDES TOWARD CREDIT CARD USE, 1970, 1977, AND 1978
(Percentage distribution of all respondents)

Year	Good	Good With Qualifications	Pro-con	Bad With Qualifications	Bad	DK/NA	Total
1970	26%	12%	12%	4%	41%	5%	100%
1977	38	19	11	4	27	1	100%
1978	34	15	8	3	35	5	100%

Source: 1978 SCF, Table H-1.

TABLE 2

REPORTED USE AND NUMBER OF CREDIT CARDS BY TYPE OF CARD, 1970, 1977, AND 1978

Type of Card	Percent of all Families Reporting Use of Credit Cards[a]			Average Number of Accounts[b]		
	1970	1977	1978	1970	1977	1978
All credit cards	50%	60%	60%	4.3	5.2	5.2
Store credit cards	35	50	49	2.6	3.1	3.0
Local store credit cards	NA	NA	21[c]	NA	NA	2.4[c]
National store credit cards	NA	NA	43	NA	NA	2.3
Bank credit cards	16	35	39	1.2	1.4	1.5
Gasoline credit cards	34	31	31	2.3	2.4	2.3
General purpose credit cards	9	7	7	1.7	1.6	1.2
Other credit cards	NA	4	3	NA	1.9	1.7

NA = not ascertained.

[a] In 1970, respondents were asked if they used credit cards. In 1977, respondents were asked what types of credit cards they had and how often they used them. Families that had cards but reported "never" using them were excluded from reported users.

[c] The sum of local and national store credit cards exceeds the figure for all store cards because some families have both local and national store credit cards.

Source: 1978 SCF, Table H-2.

TABLE 3

MONTHLY AMOUNT CHARGED BY TYPE OF CREDIT CARD, 1970, 1977, AND 1978

Type of Card	Percent of All Families Charging Within the Last Month			Average Amount Charged Within the Last Month[a]		
	1970	1977	1978	1970	1977	1978
All credit cards	38%	45%	46%	$89	$239	$258
Store credit cards	21	27	29	74	121	124
Local store credit cards	NA	NA	11[b]	NA	NA	92[b]
National store credit cards	NA	NA	22	NA	NA	112
Bank credit cards	7	22	26	77	178	194
Gasoline credit cards	28	24	23	35	72	61
General purpose credit cards	4	4	4	101	368	258

NA = not ascertained.

[a] Includes only those families who charged within the previous month.

[b] The sum of local and national store credit cards exceeds the figure for all store cards because some families have both local and national store credit cards.

Source: 1978 SCF, Table H-3.

TABLE 4

OUTSTANDING BALANCE OWED BY TYPE OF CREDIT CARD, 1970, 1977, AND 1978

Type of Card	Percent of All Families With Outstanding Balance Owed			Average Amount Outstanding Balance[a]		
	1970	1977	1978	1970	1977	1978
All credit cards	22%	33%	34%	$204	$438	$500
Store credit cards	15	24	24	161	308	284
Local store credit cards	NA	NA	8[b]	NA	NA	156[b]
National store credit cards	NA	NA	20	NA	NA	278
Bank credit cards	6	16	19	200	330	415
Gasoline credit cards	6	7	6	55	106	104
General purpose credit cards	2	1	1	199	490	305

NA = not ascertained.

[a] Includes only those families with an outstanding balance owed.

[b] The sum of local and national store credit cards exceeds the fiture for all store cards because some families have both local and national store credit cards.

Source: 1978 SCF, Table H-4.

TABLE 5

USE, CHARGES, AND BALANCES OF ALL CREDIT CARDS BY INCOME AND AGE -- 1977 & 1978

	Percent of All Families...						Average Amount[a]			
	Who Used Any Credit Cards		Who Charged Last Month		With Outstanding Balance		Charged Last Month		Outstanding Balance	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
All families	60%	60%	45%	46%	33%	34%	$239	$258	$438	$500
Family Income										
Less than $5,000	23	23	13	14	11	14	96	111	211	229
$5,000-9,999	41	44	27	30	22	22	148	132	350	331
$10,000-14,999	63	61	44	47	38	35	130	161	343	463
$15,000-19,999	73	69	54	52	48	44	191	240	478	631
$20,000-24 999	82	83	71	65	54	55	194	242	552	561
$25,000 or more	90	89	77	78	46	47	435	463	548	636
Age of Respondent										
Younger than 25	39	46	28	44	25	36	203	196	423	411
25-34	65	70	51	55	42	45	207	245	432	565
35-44	72	76	57	61	48	51	292	318	447	580
45-54	69	69	55	51	40	39	292	321	565	620
55-64	61	60	43	44	27	29	247	307	363	373
65 or older	44	41	29	28	12	13	142	135	234	185

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[a] Families who made charges last month; families who had outstanding balances.

Source: 1978 SCF, Table H-5.

TABLE 6

USE, CHARGES, AND BALANCES OF STORE CREDIT CARDS BY INCOME AND AGE -- 1977 AND 1978

	Percent of All Families...						Average Amount[a]			
	Who Used Any Credit Cards		Who Charged Last Month		With Outstanding Balance		Charged Last Month		Outstanding Balance	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
All families	50%	49%	27%	29%	24%	24%	$121	$124	$308	$284
Family Income										
Less than $5,000	17	19	8	10	8	10	92	58	132	89
$5,000-9,999	34	35	17	18	18	16	93	97	235	233
$10,000-14,999	50	48	26	28	29	26	77	88	257	274
$15,000-19,999	61	57	32	30	35	31	133	130	357	366
$20,000-24,999	73	73	45	41	42	42	92	103	416	312
$25,000 or more	77	75	50	53	31	33	172	181	342	302
Age of Respondent										
Younger than 25	29	37	18	26	22	26	92	110	292	332
25-34	54	58	30	32	32	36	125	110	312	309
35-44	63	63	35	35	35	37	131	132	327	319
45-54	56	57	32	32	28	27	109	136	388	289
55-64	52	49	28	30	20	19	156	172	244	216
65 or older	34	33	19	20	8	8	84	77	143	124

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[a] Families who made charges last month, families who had outstanding balances.

Source: 1978 SCF, Table H-6.

TABLE 7

USE, CHARGES, AND BALANCES OF STORE CREDIT CARDS--NATIONAL AND LOCAL BY INCOME AND AGE -- 1978

	Percent of All Families...									Average Amount[a]					
	Who Used Store Credit Cards			Who Charged With Card Last Month			With Outstanding Balance			Charged Last Month			Outstanding Balance		
	Nat'l	Local	Combined[b]	Nat'l	Local	Combined[b]	Nat'l	Local	Combined[b]	Nat'l	Local	Combined[b]	Nat'l	Local	Combined[b]
All families	43%	21%	49%	22%	11%	29%	20%	8%	24%	$112	$92	$124	$278	$156	$284
Family Income															
Less than $5,000	18	8	19	7	4	10	8	2	10	50	53	58	95	69	89
$5,000-9,999	28	14	35	13	7	18	13	5	16	112	43	97	239	99	233
$10,000-14,999	47	20	48	21	11	28	21	8	26	88	51	88	280	166	274
$15,000-19,999	52	19	57	27	7	30	29	7	31	119	103	130	327	252	366
$20,000-24,999	65	30	73	32	14	41	33	14	42	97	73	103	317	160	312
$25,000 or more	66	39	75	40	26	53	27	13	33	145	141	181	300	139	302
Age of Respondent															
Younger than 25	32	19	37	22	10	26	22	11	26	113	41	110	316	138	332
25-34	52	21	58	26	11	32	31	11	36	104	74	110	298	171	309
35-44	57	23	63	29	13	35	31	11	37	122	90	132	322	156	319
45-54	50	24	57	25	13	32	23	8	27	121	93	136	266	192	289
55-64	43	21	44	24	11	30	15	5	19	132	173	172	232	110	216
65 or older	25	18	33	12	10	20	6	2	8	72	63	77	125	116	124

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[a] Families who made charges last month, families who have outstanding balances.

[b] The sum of local and national store credit cards exceeds the figure for all store cards because some families have both local and national store credit cards.

Source: 1978 SCF, Table H-7.

TABLE 8

USE, CHARGES, AND BALANCES OF BANK CREDIT CARDS BY INCOME AND AGE -- 1977 AND 1978

	Percent of All Families...						Average Amount[a]			
	Who Used Bank Credit Cards		Who Charged With Card Last Month		With Outstanding Balance		Charged Last Month		Outstanding Balance	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
All families	35%	39%	22%	26%	16%	19%	$178	$194	$330	$415
Family Income										
Less than $5,000	6	10	2	5	3	7	144	107	370	304
$5,000-9,999	16	23	10	14	9	10	197	109	374	333
$10,000-14,999	28	33	16	22	14	19	136	182	339	380
$15,000-19,999	46	46	28	29	25	27	151	163	339	438
$20,000-24,999	56	59	35	39	29	31	159	146	298	407
$25,000 or more	68	71	51	51	26	32	216	271	359	504
Age of Respondent										
Younger than 25	16	26	11	23	9	20	275	212	411	392
25-34	40	48	27	33	21	27	156	191	315	435
35-44	49	53	32	35	23	31	176	198	304	464
45-54	40	49	27	30	21	25	209	227	385	473
55-64	36	41	21	27	12	16	177	170	299	320
65 or older	17	19	10	10	4	5	132	155	323	232

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[a] Families who made charges last month, families who had outstanding balances.

Source: 1978 SCF, Table H-8.

TABLE 9

USE, CHARGES, AND BALANCES OF GAS CREDIT CARDS BY INCOME AND AGE -- 1977 AND 1978

	Percent of All Families...						Average Amount[a]			
	Who Used Gas Credit Cards		Who Charged With Card Last Month		With Outstanding Balance		Charged Last Month		Outstanding Balance	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
All families	31%	31%	29%	23%	7%	6%	$72	$61	$106	$104
Family Income										
Less than $5,000	10	7	6	5	2	2	30	44	43	62
$5,000-9,999	15	16	9	11	3	3	48	44	66	97
$10,000-14,999	28	31	21	24	7	8	74	45	88	90
$15,000-19,999	32	37	24	27	9	8	61	47	134	92
$20,000-24,999	50	43	40	32	13	11	70	61	143	114
$25,000 or more	63	59	51	49	11	9	90	83	113	137
Age of Respondent										
Younger than 25	12	21	9	18	5	8	46	48	67	107
25-34	31	35	24	28	10	8	68	56	108	101
35-44	42	43	32	35	7	10	78	80	108	162
45-54	39	42	31	29	6	9	94	74	139	104
55-64	34	29	26	21	6	5	65	58	86	57
65 or older	23	18	15	13	1	2	47	37	78	43

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[a] Families who made charges last month, families who had outstanding balances.

Source: 1978 SCF, Table H-9.

TABLE 10

AMOUNT CHARGED AND BALANCE OWED AS A PERCENT OF MONTHLY INCOME BY INCOME AND AGE -- 1970, 1977 AND 1978

	Average Percent of Monthly Income Charged in the Previous Month[a]			Average Percent of Monthly Income Owed on Credit Card Balance[b]		
	1970	1977	1978	1970	1977	1978
All families	9%	15%	18%	24%	34%	41%
Total Family Income						
Less than $5,000	c	49	42	c	91	72
$5,000-9,999	c	21	21	c	54	54
$10,000-14,999	c	12	16	c	33	45
$15,000-19,999	c	13	17	c	33	43
$20,000-24,999	c	10	13	c	29	30
$25,000 or more	c	13	15	c	18	21
Age of Family Head						
Younger than 25	13	21	22	33	46	46
25-34	8	15	16	27	33	42
35-44	8	15	15	23	29	38
45-54	9	14	19	18	36	47
55-64	10	16	20	21	40	43
65 or older	11	13	15	21	28	23

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[a] Includes only those families who made charges within the previous month.

[b] Includes only those families who had outstanding balances owed.

[c] Not available.

Source: 1978 SCF, Table H-15.

TABLE 11

DISTRIBUTION OF RATIO OF AMOUNT CHARGED AND BALANCE OWED TO MONTHLY INCOME AMONG CREDIT CARD USERS

	Amount Charged in Previous Month/Monthly Income[a]					
	Less than 10 percent	10-19 percent	20-29 percent	30-49 percent	50 percent or more	Total
1970	73%	17%	5%	3%	2%	100%
1977	62	19	9	5	5	100%
1978	52	21	8	11	8	100%

	Balance Owed/Monthly Income[b]					
	Less than 10 percent	10-19 percent	20-29 percent	30-49 percent	50 percent or more	Total
1970	42%	21%	12%	12%	13%	100%
1977	34	20	12	14	20	100%
1978	26	17	15	16	26	100%

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[a] Of those families who made charges in the previous month.

[b] Of those families with outstanding credit card balances.

Source: 1978 SCF, Table H-14.

TABLE 12

AVERAGE DEBT-TRANSACTION[a] FIGURE FOR DIFFERENT TYPES OF CREDIT CARDS BY INCOME AND AGE -- 1978

	All Cards	Gas Cards	Bank Cards	General Purpose Cards	Store Cards		
					All	National	Local
All families	.01	-.54	-.03	-.41	.00	.05	-.12
Family Income							
Less than $5,000	.01	-.41	.23	-.44	-.03	.12	-.17
$5,000-9,999	-.02	-.41	-.06	-.42	.06	.11	-.09
$10,000-14,999	.04	-.51	.22	-.10	.08	.09	-.12
$15,000-19,999	.15	-.46	.11	-.21	.24	.18	.12
$20,000-24,999	.12	-.51	.01	-.46	.13	.12	.06
$25,000 or more	-.13	-.67	-.15	-.48	-.30	-.14	-.32
Age of Respondent							
Younger than 25	.10	-.38	-.06	-.25	.17	.13	.11
25-34	.18	-.55	.07	-.32	.30	.25	.10
35-44	.19	-.57	.10	-.51	.24	.18	.00
45-54	.01	-.46	.02	-.37	-.01	.05	-.18
55-64	-.15	-.59	-.20	-.54	-.31	-.17	-.25
65 or older	-.32	-.63	-.27	-.46	-.60	-.21	-.41

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[a] Debt/Transaction Figure = $\frac{\text{(Balance owed - amount charged in the previous month)}}{\text{(Balance owed + amount charged in the previous month)}}$

The debt/transaction (D/T) figure is -1 if the family made charges in the previous month but has no outstanding balance. The D/T figure is +1 if the family made no charges in the previous month but carried over an outstanding balance from earlier months. Negative D/T figures show greater transaction use relative debt use of the credit card, and vice-versa for a positive D/T figure.

Source: 1978 SCF, Table H-12.

TABLE 13

AVERAGE DEBT-TRANSACTION FIGURE[a] FOR DIFFERENT TYPES OF CREDIT CARDS -- 1970, 1977 AND 1978

Type of Credit Cards	Average Debt/Transaction Figure 1970	1977	1978
All credit cards	-0.26	-0.07	+0.01
Store credit cards	-0.08	+0.05	0.00
Local store credit cards	NA	NA	-0.12
National store credit cards	NA	NA	+0.05
Bank cards	-0.02	-0.12	-0.03
Gasoline cards	-0.64	-0.68	-0.54
General purpose cards	-0.18	-0.64	-0.41

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[a] See Table 12 for explanation of the debt-transaction figure.

NA=not ascertained.

Source: 1978 SCF, Table H-13.